85-411

No. 85-

Supreme Court, U.S.
FILED
SEP 10 1985
JOSEPH F. SPANIOL, JR.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

VIVITAR CORPORATION,
Petitioner,

v.

UNITED STATES, *et al.*,
Respondents,

47TH STREET PHOTO, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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September 10, 1985

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QUESTIONS PRESENTED

1. Whether the United States Court of Appeals for the Federal Circuit may, after rejecting each argument advanced by the United States Customs Service to support its regulations permitting the importation of gray market goods into the United States, uphold those regulations on grounds never espoused by the agency.

2. Whether, as a matter of "administrative discretion," The United States Custom Service may by regulation deny to United States trademark owners protection unambiguously provided by Section 526(a) of the Tariff Act of 1930.

PARTIES TO THE PROCEEDINGS BELOW

Plaintiff-Appellant:

Vivitar Corporation*

Defendants-Appellees:

The United States
Donald T. Regan,
Secretary of the
Treasury
John M. Walker,
Assistant Secretary of
the Treasury (Enforce-
ment and Operations)
David Q. Bates,
Deputy Assistant of the
Treasury (Operations)
William von Raab,
Commissioner of Customs
Robert P. Schaffer,
Assistant Commissioner
of Customs
John P. Simpson,
Director, Office of
Operations, U.S. Customs
Service

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* Vivitar Corporation has no parent, subsidiary or affiliate companies. See Rule 28.1, Rules of the Supreme Court of the United States.

Donald W. Lewis,
Director, Entry
Procedures and Penalties
Division, U.S. Customs
Service
Darrell D. Kast,
Chief, Entry Licensing
and Restricted
Merchandise Branch,
U.S. Customs Service

Defendant-
Appellee:

Intervenor-

47th Street Photo, Inc.

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PETITION FOR A WRIT OF CERTIORARI
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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit (Pet. App. A., pp. 1a- 100a, infra) is

reported at 761 F.2d 1552. The opinion of the United States Court of International Trade (Pet. App. C., pp. 103a - 172a, infra) is reported at 593 F. Supp. 420.

JURISDICTION

The decision of the Court of Appeals for the Federal Circuit, affirming the decision of the Court of International Trade, was issued on May 6, 1985. On June 12, 1985, the Court of Appeals for the Federal Circuit denied Vivitar Corporation's timely Petition For Rehearing And For Clarification (Pet. App. B, pp. 101a-102a, infra). The jurisdiction of this Court rests on 28 U.S.C. § 1254.

STATUTORY AND REGULATORY PROVISIONS AT ISSUE

This case arises out of the interpretation and enforcement of subsection (a) of Section 526 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1526 (Pet. App. D., pp. 173a-179a, infra) by the United States Customs Service (hereinafter referred to as the "Customs Service"). The Customs Service's interpretation of this provision is set forth in Section 133.21 of its Regulations, 19 CFR § 133.21 (1985). (Pet. App. E., pp. 108a-180a, infra).

Section 1526 of Title 19 of the United States Code provides in pertinent part:

> (a) Importation prohibited
>
> Except as provided in subsection (d) of this

> section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

Subsection (d) of Section 526 allows for the importation of trademarked merchandise without the written consent of the trademark owner if the importation is for personal use. See p. 175a, infra.

Section 133.21(c)(1)-(3) of Title 19 of the Code of Federal Regulations sets forth the limitations adopted by the Customs Service on the import prohibitions set out in 19 U.S.C. §1526(a).

> (c) Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:
>
> (1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;
>
> (2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control (see §§ 133.2(d) and 133.12(d));
>
> (3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner.

STATEMENT

This case arises from the Customs Service's refusal to exclude certain "gray market" goods from entry into the United States, thereby denying to United States trademark owners protection to which they are entitled under Section 526(a) of the Tariff Act of 1930. The gray market goods (also known as "parallel imports" or "diverted goods") are genuine trademarked goods manufactured overseas by either a subsidiary or licensee of the U.S. trademark owner, and intended for sale and resale solely in overseas markets. These goods are purchased by gray marketeers (usually not from the subsidiary or the licensee, but from a seller further down the chain of distribution), and then imported into

the United States without the written consent of the U.S. trademark owner. 1/

1/ The tremendous increase in the unauthorized importation of gray market goods over the past few years -- in 1984 gray market imports were estimated to be valued at somewhere between $6-$7 billion dollars -- has resulted in a growing concern among U.S. trademark owners. See generally, "The $7 Billion Gray Market: Where It Stops, Nobody Knows," Business Week (April 15, 1985) at 86. Gray market imports are generally sold at prices below those of authorized goods, as a result of the gray marketeers' ability to "free ride" on the advertising, warranty, and service efforts of the U.S. trademark owner and its authorized distributors. Gray market imports also wreak havoc upon carefully planned marketing strategies of the U.S. trademark owner and its authorized distributors. Further, consumers are often not aware that they are buying gray market goods, resulting in the purchase of goods which are often not of the same quality, or safety, as goods authorized for sale in the United States. Customer dissatisfaction is usually focused on the trademark owner, resulting in a diminution of the goodwill associated with the trademark.

By its terms, Section 526 provides for only one exception to its prohibition on imports of trademarked goods -- importation for personal use. See 19 U.S.C. § 1526(d). Nowhere in the statute is there any language, nor in the legislative history any indication of a congressional intent, suggesting that goods produced overseas by a subsidiary or licensee of the trademark owner are also to be excepted from the scope of protection afforded by the statute.

This case was brought in response to the refusal of the Customs Service to provide to Petitioner Vivitar Corporation, and other similarly situated United States trademark owners, the protection mandated by Section 526(a) of the Tariff Act of 1930. Section 526(a), by its clear and unambiguous language, prohibits the importation into the United States of

(1) "any merchandise of foreign manufacture" (2) which "bears a trademark owned by a citizen of, or by a corporation ... organized within the United States" (3) when the trademark has been properly registered with the United States Patent and Trademark Office and recorded with the Customs Service, (4) unless the "written consent" of the United States trademark owner to such importations is obtained.

Since the initial enactment of Section 526 as part of the Tariff Act of 1922, the Treasury Department and Customs Service have promulgated regulations as part of their responsibility to administer and enforce this section of the law. The first regulations promulgated pursuant to Section 526 contained no limitation on the scope of protection afforded by that statute. In subsequent

years, however, the Treasury Department and Customs Service have created exceptions to the scope of protection afforded by the statute. These limitations, presently set forth in Section 133.21(c)(1), (2), and (3) of the Customs Service regulations, exempt importations of foreign merchandise bearing a U.S.-owned trademark when (1) both the foreign and U.S. trademark are owned by the same person or business entity, (2) the foreign and domestic trademark owners are parent and subsidiary companies or are otherwise subject to common ownership or control, and (3) the articles of foreign manufacture bear a recorded trademark applied under authorization of the U.S. trademark owner. There is nothing in the language of the statute, as enacted by Congress, which would indicate an intent on the part of Congress to limit the

scope of protection afforded to U.S. citizens or corporations in the manner adopted by the Customs Service regulations. 2/

Under the Customs Service's exceptions to the protection afforded by Section 526, merchandise of foreign manufacture bearing the "Vivitar" trademark has been allowed to enter the United States in violation of the plain language

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2/ In its opinion below, the Court of International Trade found that both "[d]efendants and intervenor concede that the literal language of § 1526(a) supports plaintiff's construction [of the statute]." Pp. 121a-122a, infra. The Court of Appeals for the Federal Circuit also noted that the language of Section 526(a) "appear[s] to create a sweeping bar to importations of any goods bearing the same trademark as that owned by the U.S. company without the latter's consent." P.35a, infra.

of Section 526(a). 3/ Vivitar Corporation instituted this action in the Court of International Trade in an effort to obtain from the Customs Service the protection to which Vivitar Corporation is entitled by the clear and unambiguous terms of Section 526. The institution of this suit followed almost two years of attempting, unsuccessfully, to obtain this protection administratively from the Customs Service and Treasury Department.

The Court of International Trade, in its decision of August 20, 1984, upheld the validity of the Customs Service's

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3/ It is undisputed that all of the statutory requirements for exclusion have been met. Vivitar Corporation, a California corporation, is the owner of the "Vivitar" trademark; the "Vivitar" trademark is registered with the United States Patent and Trademark Office and recorded with the Customs Service; and no written consent from Vivitar Corporation was presented to the Customs Service.

regulations on three basis: that the regulations (1) reflected the intent of Congress at the time Section 526 was enacted to limit the scope of protection afforded by Section 526, (2) were in accordance with a longstanding and consistent interpretation and administration of Section 526 by the Customs Service, and (3) were ratified by Congress by its enactment of the Customs Procedural Reform and Simplification Act of 1978, Pub. L. No. 95-410, 92 Stat. 903 (1978). These were the same grounds advanced by the Customs Service before that court to justify its regulations.

The Court of Appeals for the Federal Circuit, in its opinion of May 6, 1985, rejected each of these arguments, but nonetheless affirmed the decision of the Court of International Trade. First, the Court of Appeals for the Federal Circuit

held, contrary to the position argued by the Customs Service and adopted by the Court of International Trade, that the intent of Congress in enacting Section 526 was not solely to reverse the decision of the Second Circuit Court of Appeals in A. Bourjois & Co., Inc. v. Katzel. 4/ The court found that there

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4/ The decision by the court of appeals in A. Bourjois & Co., Inc. v. Katzel, 275 F. 539 (2d Cir. 1921), rev'd, 260 U.S. 689 (1923) was the catalyst prompting the enactment of Section 526. In that case, the court of appeals held that a U.S. trademark owner could not enjoin as an infringement the sale of goods bearing a genuine foreign trademark. In Katzel, the foreign manufacturer was not licensed by or otherwise related to the United States trademark owner. This decision was eventually reversed by this Court. The Customs Service has argued that the protection afforded by Section 526(a) was intended by Congress to address soley the Katzel fact situation, i.e., where the foreign manufacturer is not licensed by or otherwise related to the United States trademark owners.

was no indication of a congressional intent to limit Section 526 to the Katzel fact situation, or in any other manner. Pp. 38a-61a, infra. See also Sturgis v. Clark D. Pease, Inc., 48 F.2d 1035 (2d Cir. 1931) (the protection afforded by Section 526(a) is "drastic", not even allowing for the importation of goods for personal use, and is not limited to the Katzel fact situation).

Second, the court of appeals rejected the Customs Service's argument, adopted by the Court of International Trade, that the Customs Service regulations reflect a long-standing administrative interpretation of Section 526, and thus should be accepted as controlling on the issue. Pp. 62-75a, infra. The court, after reviewing the series of Customs Service regulations promulgated under Section 526 since 1923, and Customs

Service administrative practice over the past 50 years, concluded that "Customs has had and continues to have a changing view of the role of Customs in enforcing § 1526(a). . . ." P. 62a, infra. (Emphasis in original.)

Finally, the court of appeals rejected the contention of the Customs Service, adopted by the Court of International Trade, that Congress, in amending Section 526 by adding a "personal use" exception in 1978, had implicitly ratified the Customs Service practice under Section 526. Pp. 75a-77a, infra. The court of appeals noted that nothing in any of the legislative materials indicated that Congress had focused in any manner on the Customs Service regulations then in effect, and stated that "[l]egislation by total silence is too

tenuous a theory to merit extended discussion." P. 77a, infra. 5/

Despite these findings, the Court of Appeals for the Federal Circuit sustained the Customs Service regulations on a theory never articulated by the Customs Service to support its administrative practice, i.e., that these regulations represented a permissible discretionary decision by the agency to afford less than the full scope of protection provided by Section 526(a). This conclusion, in the view of the court of

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5/ On the other hand, it is significant to note that Congress, in carving out one exception to the scope of protection afforded by the statute, chose not to create any other. It is a basic principal of statutory construction that "expressio unius est exclusio alterius," i.e., where a statute specifies one exception to a general rule, other exceptions are excluded. See generally 2A Sutherland Statutory Construction (4th ed. Sands 1973) § 47.24.

appeals, was supported by the court's determination that "Congress could not have foreseen all possibilities in international trade relationships at the time of enactment of the statute." Pp. 83a-84a infra. The Court then stated:

> Where protection under the statute is unclear or depends upon resolution of complex factual situations, Customs may decline to impose sua sponte the extreme sanction of exclusion and leave such cases for initial determination by the district court under the private remedies provided to the trademark owner in § 1526(c). [Pp. 86a-87a, infra] 6/

6/ The court of appeals suggested that the availability of private remedies under 19 U.S.C. § 1526(c) implied an intent that some goods seemingly covered by Section 526 will be permitted to enter the United States. Section 526(c) (see p. 174a, infra) gives a private party the right of an injunction and damages against parties dealing "in any such merchandise" (emphasis added). The term "such" refers to merchandise

(Continued)

The Customs Service has never claimed that it had the discretion to allow the entry into the United States of imported merchandise prohibited by the plain language of Section 526. Nor did the Customs Service ever purport to have exercised any such discretion. Rather, throughout the course of the proceedings below, the Customs Service has continuously sought to justify its regulations as its understanding of the required construction of in Section 526(a).

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whose importation is made unlawful by subsection (a) of Section 526 and subject to mandatory seizure and forfeiture by subsection (b) of Section 526 (p. 174a, infra). All subsection (c) does is to provide trademark owners with a private remedy (injunctive relief and/or damages) against gray market importers should "such merchandise" somehow evade Customs Service detection and enter the United States.

The court of appeals below attempted to ameliorate its holding by the admonition that "[w]hen a U.S. trademark owner has successfully pursued a claim against a private party, Customs must, of course, give effect to any judicial determination that the owner has a right to bar importation ..." P. 10a, infra. However, the court of appeals did not make clear whether a single suit establishing the trademark's status against a single importer would suffice to bring Section 526(a) into effect, or whether multiple suits against each gray market importer would be required.

REASONS FOR GRANTING THE WRIT

The Court of Appeals for the Federal Circuit has sanctioned the Customs Service's conceded failure to follow the plain language of Section 526(a) of the

Tariff Act of 1930, as amended, on grounds never advanced by that agency. That holding conflicts with the fundamental principle of administrative law that a reviewing court may not affirm an agency's action on a basis different from that offered by the agency. This error was compounded by the rationale adopted by the court of appeals to justify its holding -- that the Customs Service may, as a matter of administrative discretion and without a delegation of authority from Congress, limit by regulation the scope of clear and unambiguous statutory language. This holding is an invitation to administrative lawlessness which should not be permitted by this Court.

The importation into the United States of gray market goods has become a problem of increasing national concern, see supra, n.2, affecting the proprietary rights of U.S. trademark owners and busi-

nesses in all sectors of the economy. Litigation to date has resulted in numerous judicial decisions, some of which indicate that Section 526(a) prohibits the importation of gray market goods,7/ some of which hold that that provision is inapplicable to gray market importations.8/ The issue is an important one and should be resolved by this Court. Moreover, owing to its approach and the administrative doctrine it espouses, the impact of the holding of the court below

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7/ See e.g., Bell & Howell: Mamiya Co. v. Masel Supply Co., 548 F. Supp. 1063 (E.D.N.Y. 1982), rev'd on other grounds, 719 F.2d 42 (1983); Osawa & Co. v. United States, 589 F. Supp. 1163 (S.D.N.Y. 1984).

8/ See e.g., Coalition To Preserve The Integrity Of American Trademarks v. United States, 598 F. Supp. 844 (D.D.C. 1984), appeal pending (D.C. Cir. Appeal No. 84-5895); Olympus Corporation v. United States, CV-84-0920 (E.D.N.Y. August 22, 1985).

on administrative law transcends the subject matter of the case before it.

1. A fundamental principle of administrative law, first enunciated by this Court in Securities And Exchange Commission v. Chenery Corporation, 318 U.S. 80 (1943), is that "an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its power were those upon which its action can be sustained." Id. at 95. See Motor Vehicles Manufacturers Association Of The United States, Inc. v. State Farm Mutual Automobile Insurance Company, ____ U.S. ___ , 103 S.Ct. 2856, 2870 (1983) ("It is well-established that an agency's action must be upheld, if at all, on the basis articulated by the agency itself ."); Industrial Union Department, AFL-CIO v. American Petroleum Institute, 448 U.S. 607, 631 n.31 (1980)

("As we have often held, the validity of an agency's determination must be judged on the basis of the agency's stated reason for making that determination."). See also American Federation Of Government Employees, AFL-CIO, Local 1968 v. Federal Labor Relations Authority, 691 F.2d 565, 574 (D.C. Cir. 1982). cert. denied, 461 U.S. 926 (1983) ("We agree unhesitatingly with petitioner that an administrative agency must articulate the reasons for its decisions, and that these reasons alone provide the basis for judicial assessments of its validity."); Public Media Center v. Federal Communications Commission, 587 F.2d 1322, 1332 (D.C. Cir. 1978) ("We recognize the central tenet of administrative law that a reviewing court may not affirm an administrative agency's actions on a reasoned

basis different from the rationale actually put forth by the agency.").

The Court of Appeals for the Federal Circuit ignored this "central tenet of administrative law" by affirming the Customs Service regulations at issue on grounds never advanced by the agency. It is well established that "the function of a reviewing court ends when an error of law is laid bare." Federal Power Commission v. Idaho Power Co., 344 U.S. 17, 20 (1952); see Sunray Mid-Continent Oil Co. v. Federal Power Commission, 353 U.S. 944 (1957). Once the Court of Appeals for the Federal Circuit exposed the Customs Service's error of law (i.e., its improper construction of Section 526(a)), the court's role should have ended. Anything more was an impermissible usurpation of the administrative function. The court of appeals however, went on to

recast the Customs Service's position, based upon the court's own perception of what the law should permit. The court's approach denied to Vivitar Corporation the opportunity to present its views on the theory adopted by the Court of Appeals for the Federal Circuit (a theory which, as discussed below, is of questionable validity), and gave the Customs Service an authority for which it had never asked. In addition, the opinion, rendered without the tempering of the adversary process, has left the international trade community in a state of substantial confusion.9/

9/ Vivitar Corporation's Motion For Rehearing And For Clarification, filed, in part, to clarify the questions raised by the decision below, was denied. Pet. App. B., p. 101a, infra. The confusion resulting from the court's opinion was acknowledged by Judge Davis in his concurring opinion. See Pet. App. A., pp. 97a-100a, infra.

2. The Court of Appeals for the Federal Circuit held that, as a matter of administrative discretion, the Customs Service may "sua sponte" permit entry into the United States of goods the importation of which Congress, by the unambiguous language of Section 526(a), expressly prohibited. That holding is an invitation to administrative lawlessness which this Court in its supervisory capacity should promptly revoke.

The court of appeals does not deny that Section 526(a) excludes gray market goods from importation into the United States. The court of appeals further found that the Customs Service has no authority to limit the scope of Section 526 through legislative regulation. P. 78a, infra. Nonetheless, the court of appeals held that the Customs Service, by regulation, could decline to enforce Congress' mandate sua sponte, and could

require certain classes of trademark owners to obtain an infringement finding in the district courts pursuant to Section 526(c) of the Tariff Act of 1930 before the Customs Service would exclude merchandise pursuant to Section 526(a).10/

Two arguments are advanced by the Court of Appeals to support its conclusion. First, the court states:

> With these considerations in mind, we conclude that the regulations do no more than define Customs' role in initiating administrative enforcement of the statute. Viewed in this manner, it is apparent that the regulations are not contrary to the statute in the sense that goods are being routinely excluded which should be admitted or vice versa. [P. 83a, infra, emphasis in original.]

10/ See n. 5, supra, and accompanying text.

In fact, the entire premise of this case, conceded by all parties, is that gray market goods are being "routinely" admitted into the United States despite unambiguous statutory language mandating their exclusion.

Second, the court of appeals based its holding that the Customs Service may deviate from the clear language of Section 526(a) on the grounds that:

> Congress could not have foreseen all possibilities in international trade relationships at the time of enacting the statute. 11/

The same type of judicial arrogation of power was rejected by this Court less

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11/ The Customs Service itself was not so presumptuous as to assert that it knew better than Congress what protection should be afforded. As discussed above, the Customs Service throughout this litigation has argued that its regulations represented the proper construction of Section 526(a).

than three months ago in Sedima S.P.R.L. v. Imrex, __ U.S. __, 105 S.Ct. 3275 (1985). There the Court responded to the argument that Congress had no "inkling" of all of the implications of its actions with the rule that "Congress 'inklings' are best determined by the statutory language it chooses." Id. at 16 n. 13. 12/

12/ Sedima is in line with this Court's constant admonition to the lower courts not to go "behind the plain language of a statute in search of a possible contraty legislative intent." American Tobacco Company v. Paterson, 456 U.S. 63, 75 (1982). Indeed, this Court has time and time again stated that where the language of a statute is unambiguous, a court's inquiry comes to an end except "in rare and exceptional circumstances." TVA v. Hill, 437 U.S. 153, 187 n.33 (1978), quoting Crooks v. Harrelson, 282 U.S. 55, 60 (1930); Howe v. Smith, 452 U.S. 473, 483 (1981). The relevant rule of statutory construction, as enunciated by this Court, is that "[a]bsent a clearly expressed legislative intention to the contrary,

(Continued)

Moreover, the present case is analogous to the so-called "impoundment cases" which came before this Court, and the lower federal courts, in the 1970s. See, e.g., Train v. City Of New York, 420 U.S. 35 (1975). The "impoundment cases" arose from the Executive Branch's failure to spend money appropriated by Congress for various federal programs. This Court held, as had the lower federal courts, that the Executive Branch, acting through its various agencies, could not allot less than the entire amount authorized by Congress to be appropriated to a given program. See, e.g., State Highway Commissions Of Missouri v. Volpe, 479 F.2d. 1099 (8th Cir. 1973); State Of

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[the] language [of the statute] must ordinarily be regarded as conclusive." Consumer Product Safety Commission v. GTE Sylvania, Inc., 447 U.S. 102, 108 (1980).

Louisiana v. Weinberger, 369 F. Supp. 856 (E.D. La. 1973); Community Action Programs Executive Directors Associations Of New Jersey, Inc. v. Ash, 356 F. Supp. 1355 (D.N.J. 1973). In all of these cases, it was held that Congress, by use of the word "shall" in the statute, intended that the allotment be mandatory, conditioned only upon the other statutory requirements. See, e.g., State Of Lousiana v. Weinberger, supra, 369 F. Supp. at 822. When the other statutory requirements were met, the Executive Branch could not refuse to spend the mandated appropriations.

Section 526(a) provides that it "shall be unlawful" to import certain carefully defined "merchandise of foreign manufacture." Section 526(b) (See p. 174a, infra) further provides that "any such merchandise" imported in violation

of Section 526(a) "shall be subject to seizure and forfeiture for violation of the customs laws." Not even the most tortuous reading of the language used by Congress yields any hint that Congress intended to confer upon the Customs Service the discretion to pick and choose "sua sponte" which prohibited merchandise should be denied entry. Indeed, the Customs Service itself has never claimed to possess that authority. See n. 11, supra.

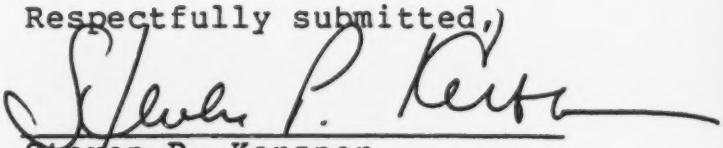
Thus, not only did the Court of Appeals for the Federal Circuit uphold the regulations at issue on grounds never advanced by the agency which promulgated them, but the grounds chosen by the court of appeals are in conflict with the basic teachings of this Court and the fundamental tenets of limited administrative power. Congress, in this case, could not

have spoken more clearly. If an agency charged with administering a law can "sua sponte" choose to ignore it, then, by judicial decree, agencies, and not Congress, will make the law. It is important that this Court promptly exercise its power to reinstate administrative order.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,



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Dated: September 10, 1985

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

VIVITAR CORPORATION,
Appellant

v.

THE UNITED STATES, ET AL.
Appellees

Appeal No. 84-1638

and

47TH STREET PHOTO, INC.,
Intervenor

James M. Johnstone, Wiley & Rein, of Washington, D.C., argued for appellant. With him on the brief was Thomas W. Kirby. Steven P. Kersner and Donald S. Stein, Browstein, Zeidman and Schomer, of Washington, D.C. were on the brief for appellant.

R. Kenton Musgrave, General Counsel, Vivitar Corporation, of Santa Monica, California, of counsel.

Marjorie M. Shostak and James F. O'Hara, Stein, Shostak, Shostak & O'Hara, of Washington, D.C., of counsel.

David M. Cohen, Director, Commerical Litigation Branch, Department of Justice, of Washington, D.C., argued for appellee. With him on the brief were Richard K. Willard, Acting Assistant Attorney General and Velta A. Melnbrencis.

Nathan Lewin, Miller, Cassidy, Larroca & Lewin, of Washington, D.C., argued for intervenor, 47th Street Photo, Inc. With him on the brief was Jamie S. Gorelick. Marvin H. Wolf, Groman & Wolf, of Mineola, New York, was on the brief for intervenor.

Edward T. Borda, General Counsel, Association of General Merchandise Chains, Inc., of Washington, D.C., was on the brief for Amicus Curiae.

Robert Ullman, Jacob Laufer and Steven R. Trost, Bass & Ullman, of New York, New York, was on the brief for Amicus Curiae, American Free Trade Corporation.

John M. Hadlock, Max F. Schutzman and Katherine L. Frank, Whitman & Ransom, of New York, New York, was on the brief for Amicus Curiae, Olympus Corporation.

Robert W. Steele, P.C., and Robert E. Hebda, Steele, Simmons & Fornaciari of Washington, D.C., was on the brief for Amicus Curiae, K Mart Corporation. James C. Tuttle, Antitrust & International Counsel, of Troy, Michigan, was on the brief for K Mart Corporation.

William H. Allen, Eugene A. Ludwig, Scott D. Gilbert and Daniel A. Rowley, Covington & Burling, of Washington, D.C., were on the brief for Amicus Curiae,

Coalition to Preserve The Integrity of American Tradmarks.

William F. Sondericker, Frank W. Gaines, Jr. and Robert L. Hoegle, Olwine, Connelly, Chase, O'Donnell & Weyher, of Washington, D.C., were on the brief for Amicus Curiae, Progress Trading Co., Inc.

Appealed from: U.S. Court of International Trade

Judge Restani

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

VIVITAR CORPORATION, Appellant,	)	
v.	)	
THE UNITED STATES, ET AL., Appellees,	)	Appeal No. 84-1638
and	)	
47TH STREET PHOTO, INC., Intervenor.	)	

DECIDED: May 6, 1985

Before MARKEY, Chief Judge, RICH, DAVIS, NIES and BISSELL, Circuit Judges.

NIES, Circuit Judge.

This appeal concerns the importation into the United States of what have come to be called "grey market" goods. Goods are produced and legitimately sold abroad under a particular trademark and are imported into the United States and sold in competition with goods of the owner of U.S. trademark rights in the identical

mark. But for international boundaries and the territoriality of trademark rights, the use of the trademark in competition with the U.S. owner would not constitute infringement because of the relationship between the foreign entity from whom the goods were directly or indirectly obtained and the owner of U.S. rights in the mark. In this sense, grey market goods are "genuine" and bear a "genuine" trademark. In some instances, the U.S. trademark owner is an importer of the goods as well, in which case the grey market goods are known as "parallel importations."

Vivitar Corporation, a California corporation, brought suit in the U.S. Court of International Trade against the United States for a declaratory judgment to invalidate regulations of the Department of Treasury Customs Service which, in Vivitar's view, improperly

allow importation of grey market goods contrary to the express provisions of 19 U.S.C. § 1526 (Section 526, Tariff Act of 1930, hereinafter § 1526). Specifically, Vivitar seeks to force the Customs Service to refuse importation of any foreign manufactured photographic equipment bearing its U.S. registered trademark VIVITAR unless Vivitar gives specific consent to such importation. Vivitar's position is that § 1526(a) gives it an absolute right, as a U.S. company owning a U.S. trademark registration, to require Customs to prevent importation of foreign manufactured goods bearing the trademark VIVITAR, and that the regulations of the Customs Service which recognize some exceptions to the bar against importation without the consent of the U.S. trademark owner are invalid. The Court of International Trade upheld the

regulations as the correct interpretation of the statute.

In this appeal, Vivitar urges reversal of the judgment of the Court of International Trade as a matter of law. The United States endorses the decision of the court on the merits, but challenges that court's holding that it had jurisdiction over the subject matter.[1/] Intervenor, 47th Street Photo,

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1/ The decisions of the Court of International Trade on jurisdiction and the merits are reported at 585 F. Supp. 1419 (1984) and 593 F. Supp. 420 (1984), respectively.

Inc., urges affirmance of the appealed judgment in its entirety.[2/]

We conclude that the Court of International Trade correctly held that it has jurisdiction over the subject matter of this action under 28 U.S.C. § 1581(a), (i)(3), and/or (i)(4). With respect to the merits, we conclude that Customs' regulations do not define the limits of protection afforded a U.S. trademark owner under § 1526. We, nevertheless, conclude that the regulations are a reasonable exercise of Customs' power to exclude under the statute as a matter of agency in

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2/ Amicus briefs have been accepted from Olympus Corporation, Coalition to Preserve the Intergrity of American Trademarks, American Free Trade Association, The National Association of Catalog Showroom Merchandisers, Progress Trading Company, Inc., K-Mart Corporation and the Association of General Merchandise Chains, Inc.

itiated enforcement. Since the factual situations involving grey market importations vary widely and not all may be in violation of § 1526(a), we hold that Customs is not required to provide for automatic exclusion beyond that set forth in its current Regulations. Exclusion of goods in situations involving common ownership and/or control of U.S. and foreign trademark rights may be left by Customs for determination in the first instance by the courts. When a U.S. trademark owner has successfully pursued a claim against a private party, Customs must, of course, give effect to any judicial determination that the owner has a right to bar importation of goods bearing its mark, even though the goods were obtained from or through a foreign related company.

Accordingly, we affirm the judgment of the Court of International Trade, but on narrower grounds.

I.

This appeal is from the grant of summary judgment in favor of the government and the denial of summary judgment in favor of Vivitar. Since no trial was conducted, there is little in the record with respect to the exact nature of Vivitar's activities in the United States and abroad. Nor do we have a specific import transaction before us which is challenged. The challenge by Vivitar is against the regulations *per se*. The material facts on which the parties rely are few and not in dispute. Essentially the facts establish Vivitar's standing to challenge the regulations.

Vivitar Corporation, a domestic corporation organized under the laws of the state of California, is the owner of

U.S. Trademark Reg. No. 808,478, issued May 17, 1966, covering the trademark VIVITAR for some kinds of photographic equipment.[3/] The registration has been recorded since 1969 with the U.S. Customs Service pursuant to regulations implementing exclusion provisions in the customs statute (§ 1526), as well as other exclusion provisions found in the trademark statute, 15 U.S.C. § 1124.

Vivitar is engaged in the sale of photographic equipment in the United States and abroad. Apparently, Vivitar has little or no manufacturing facilities of its own, but rather has its products manufactured to specification by various

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3/ No copy of the certificate appears in the record so that we do not know precisely what goods are described in the registration.

foreign manufacturers, principally in Japan.[4/] The trademark VIVITAR is affixed or displayed on this equipment at Vivitar's direction. Vivitar has set up a worldwide marketing arrangement so that the parent, appellant here, retains the U.S. market, and various foreign subsidiary corporations sell abroad. We still assume that Vivitar and its subsidiaries are selling the same products. No information is of record with respect to technical ownership of

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4/ The foreign manufacturer is referred to as "a licensee" of Vivitar in the CIT opinion. No license is required in such situations since the manufacturer is not "using" the mark. A supply contract is normally all that is necessary to secure private brand merchandise. See 1 H. Nims, Unfair Competition and Trade-Marks § 212, at 613-14 (4th ed. 1947).

foreign trademark rights in the VIVITAR trademark.

In the United States, Vivitar has set up a network of independent authorized dealerships to whom it sells for resale to the public. VIVITAR products are, however, also reaching the U.S. market via independent importers who purchase VIVITAR products abroad (we do not know whether directly from Vivitar's subsidiaries or not), import them into the United States, and sell them through discount outlets, such as intervenor, 47th Street Photo. The price differential between U.S. and foreign markets on VIVITAR equipment makes the discount operations profitable. Vivitar seeks to jusify its authorized dealers' higher prices as compared to those of discount houses by its extensive advertising costs, warranty costs, and other legitimate business expenses

necessary to promote its VIVITAR products in the U.S. and maintain its goodwill in the mark. Vivitar accuses the discount houses of obtaining a free ride which will eventually destroy the reputation and sales value of its VIVITAR trademark. These matters were not, of course, litigated or resolved by the CIT in ruling on the motions for summary judgment. The sole question was whether Vivitar has a statutory right to have the Customs Service exclude imports of VIVITAR products except those consigned to Vivitar. This issue was not framed in terms of the particular facts of Vivitar's distribution system in the U.S. and abroad, but as a general proposition with respect to the rights available under § 1526 to every domestic owner of a registered U.S. trademark.

The statutory provision in dispute, 19 U.S.C. § 1526(a), reads as follows:

> Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry. [Emphasis added.]

The complete current text of 19 U.S.C. § 1526 appears in the appendix. The remaining sections deal with (b) seizure and forfeiture; (c) private remedies by trademark owners against persons dealing in wrongfully imported goods; (d) exemptions for personal use; and (e) special provisions for goods bearing counterfeit marks. The statute, thus, explicitly provides for a private remedy for violation of (a) in (c) and at least suggests by (a), (b) and (d) that Customs assume an active role sua sponte in enforcement.

The current customs regulations, 19 C.F.R. § 133.21, read in pertinent part:

> (a) Copying or simulating marks or names. Articles of foreign or domestic manufacture bearing a mark or name copying or simulating a recorded trademark or trade name shall be denied entry and are subject to forfeiture as prohibited importations. A "copying or simulating" mark or name is an

actual counterfeit of the recorded mark or name or is one which so resembles it as to be likely to cause the public to associate the copying or simulating mark with the recorded mark or name.

(b) Identical trademark. Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture as prohibited importations.

(c) Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

(1) Both the foreign and the U.S. trademark . . . are owned by the same person or business entity;

(2) The foreign and domestic trademark . . . owners are parent and subsidiary companies or are otherwise subject to common ownership or control (see §§ 133.2(d) and 133.12(d));

(3) The articles of foreign manufacture bear a recorded trademark . . . applied under authorization of the U.S. owner.

That the regulations are patently less protective of the interests of a U.S. trademark owner than the literal language of the statute is the essence of Vivitar's case.

II.

Jurisdiction

A.

The government's initial response to Vivitar's complaint was to file a motion to dismiss for lack of jurisdiction in the Court of International Trade (CIT).

The government's position is that the statute which Vivitar asserts has been violated, 19 U.S.C. § 1526(a), is

one which relates to trademarks. Thus, in the government's view, 28 U.S.C. § 1338(a), which grants jurisdiction to the U.S. district courts over "any civil action arising under any Act of Congress relating to patents, plant variety protection, copy-rights and trade-marks" (emphasis added) is controlling on the jurisdictional question. The government concludes that since the CIT possesses exclusive jurisdiction only, not concurrent jurisdiction with the federal district courts, the CIT cannot possess jurisdiction over the present action.

Vivitar argues that its complaint can rest on several bases under 28 U.S.C. § 1581(i).[5] Specifically, Vivitar

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5/ 28 U.S.C. § 1581(i) reads as follows:

> (i) In addition to the jurisdiction conferred upon the Court of International Trade by subsections (a)-(h) of this section and subject to the exception set forth in subsection (j) of this section, the Court of International Trade shall have exclusive jurisdiction of any civil action commenced against the United States, its agencies, or its officers, that arises out of any law of the United States providing for--
>
> (1) revenue from imports or tonnage;
>
> (2) tariffs, duties, fees or other taxes on the importation of merchandise for reasons other than the raising of revenue;
>
> (3) embargoes or other quantitative restrictions on the importation of merchandise for reasons other than the protection of the public health or safety; or
>
> (4) administration and enforcement with respect to the

(Continued)

relies on the CIT's jurisdiction under 28 U.S.C. § 1581(i)(3) over a civil action against the United States arising out of a law providing for an "embargo" or "quantitative restriction," and on the court's administration and enforcement powers under 28 U.S.C. § 1581(i)(4) over protests (28 U.S.C. § 1581(a)).[6/] Under either of these theories, the claim falls within the exclusive jurisdiction of the CIT, and there is then no jurisdiction in the federal district courts.

In an opinion dated April 4, 1984, Judge Restani denied the government's motion to dismiss for lack of jurisdiction. The court began its analysis by

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matters referred to in paragraphs (1)-(3) of this subsection and subsections (a)-(h) of this section.

6/ Judge Restani rejected a third argument based on 28 U.S.C. § 1581(i)(1), and this basis is not reasserted on appeal.

rejecting Customs' argument that the case belonged in federal district court as one arising under the trademark laws within the meaning of 28 U.S.C. § 1338(a). The flaw in the argument, according to the court, was that, while district courts generally have jurisdiction over trademark cases under 28 U.S.C. § 1338, not all cases involving trademarks must be heard in the district courts.7/

7/ The court cited a string of cases in support of this, in particular, Manufacture De Machines Du Haut-Rhin v. Von Raab, 6 CIT ___, 569 F. Supp. 877 (1983); Manufacture De Machines Du Haut-Rhin v. International Armament Corp., No. 82-1114-A (E.D.V.I. 1983); Lois Jeans & Jackets, U.S.A., Inc. v. United States, 5 CIT 238, 566 F. Supp. 1523 (1983); cf. Schaper Mfg. Co. v. Regan, 5 CIT 266, 566 F. Supp. 894 (1983) (case involving copyright issues). The court declined to follow Parfum Sterns, Inc. v. United States Customs Service, 575 F. Supp. 416 (S.D. Fla. 1983), where the district court held that it had jurisdiction of an action similar to the instant case, but did not discuss the CIT's jurisdiction.

This case, although arising out of a dispute involving a trademark was, nevertheless, considered by the CIT to be within its jurisdiction because "the thrust of plaintiff's grievance is that Customs Service's administration and enforcement of § 1526(a) and (b) is improper." In arriving at this conclusion, the court relied on Vivitar's abandonment of all claims which would require a determination that a third party infringed Vivitar's trademark, and on Vivitar's concession that the goods at issue were properly affixed with the VIVITAR trademark abroad. The court further opined that the validity of Customs Service regulations was a matter particularly within the court's expertise. Moreover, per the court, the regulations were in need of a national, uniform interpretation to avoid confusion and uncertainty.

The court then turned to the jurisdictional statute, 28 U.S.C. § 1581, in particular § 1581(i) quoted in note 5, supra, for a specific grant of authority over the case. Referring first to § 1581(i)(4), the court noted its jurisdiction over claims arising out of the administration and enforcement of the matters referred to in § 1581(a)-(h). Under § 1581(a), the court continued, it has jurisdiction "of any civil action commenced to contest the denial of a protest, in whole or in part, under section 515 [19 U.S.C. §§ 1514-15] of the Tariff Act of 1930."[8/] In this case there had been no protestable exclusion

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8/ 28 U.S.C. § 1581(a) reads:

> The Court of International Trade shall have exclusive jurisdiction of any civil action commenced to contest the denial of a protest, in whole or in part, under section 515 of the Tariff Act of 1930.

of the goods in issue since the disputed regulations permit importation. The court, however, read § 1581(i)(4) broadly as "a residual independent jurisdictional basis for litigating Customs Service administration and enforcement of the substantive matter that may be the subject of a protest, but where the protest remedy is inappropriate or unavailable."

The Court reasoned that reading § 1581(i)(4), when applied to § 1581(a), as limited only to cases arising from the administration and enforcement of protests, would render it duplicative to § 1581(a). Rather, citing United States v. Uniroyal, Inc., 687 F.2d 467, 475 (CCPA 1982) (Nies, J., concurring), the court held that its jurisdiction under § 1581(i) was properly invoked, since there was no protestable exclusion and,

thus, "the other provisions of 28 U.S.C. § 1581 are manifestly inadequate."

Alternatively, the court ruled that, since § 1526 provides for the exclusion of certain goods, jurisdiction over this case could be found in § 1581(i)(3), as an "embargo" or "quantitative restriction on the importation of merchandise." The court interpreted § 1581(i)(3) as granting the court jurisdiction over cases where the importation of goods is limited to a specific quantity; the statutory exclusion of certain goods under § 1526, in the court's view, constituted a quantitative limit of zero.

B.

The jurisdiction of the CIT with respect to a suit of this nature has not been uniformly recognized. Several federal district courts have also taken jurisdiction over civil actions against

the government involving the importation of grey maket goods. See, e.g., Coalition to Preserve the Integrity of American Trademarks (CPIAT) v. United States, 598 F. Supp. 844, 244 USPQ 701 (D.D.C. 1984) and Olympus Corporation v. United States, No. 84-0920 (E.D.N.Y. Nov. 15, 1984).

In both Olympus and CPIAT, the thrust of each complaint was that the Customs regulations were inconsistent with § 1526. In each case an injunction was sought against the government for failure to exclude grey market goods.

In both suits jurisdiction was challenged on the basis that the Court of International Trade had exclusive jurisdiction over a civil action against the government concerning the validity of regulations implementing § 1526. Both district courts were aware of, but expressly rejected, Judge Restani's

ruling on jurisdiction, holding instead that because the district courts had jurisdiction under 28 U.S.C. § 1331 over federal questions and under § 1338(a) over claims based on a federal statute relating to trademarks, the CIT could not have jurisdiction.

C.

We are faced then with irreconcilable decisions from two district courts and the CIT, each asserting that the other lacks jurisdiction. However, we do not see that the jurisdictional stautes themselves are irreconcilable.

The jurisdiction granted to the U.S. Customs Court, predecessor to the Court of International Trade, has long been recognized as an exception to the jurisdiction of the district courts under 28 U.S.C. § 1331, i.e., federal question jurisdiction. See, e.g., Sneaker Circus,

Inc. v. Carter, 566 F.2d 396, 398-99 (2d Cir. 1977), and cases cited therein. Thus, it is faulty analysis to look first to the jurisdiction of the district courts to determine whether the CIT has jurisdiction. Given the broad jurisdiction grant to district courts, a district court would also have jurisdiction, rather than the CIT, using this approach. The result would negate the intent of Congress in granting exclusive jurisdiction over certain matters to the CIT. The focus must be solely on whether the claim falls within the language and intent of the jurisdictional grant to the CIT. Since no new claims were created by the Customs Courts Act of 1980 (the 1980 Act), Pub. Law. No. 96-417, 94 Stat. 1927 (1980), which created the CIT, the expanded jurisdiction given to that court, a fortiori, means that additional

exceptions to the jurisdiction of district courts must result.

With respect to litigation under § 1526 prior to enactment of the 1980 Act, there is no question that a federal district court was the forum for a trademark owner to pursue any claim for exclusi , whether against the government or a private party. However, one purpose of the 1980 Act was to consolidate jurisdiction over suits against the government in international trade matters, placing such matters in the province of the new court. H.R. Rep. No. 96-1235, 96th Cong., 2d Sess. 33, reprinted in 1978 U.S. Code Cong. & Ad. News 3729, 3745.

In this case, Vivitar raises no question of substantive trademark or unfair competition law with respect to activities of a particular private party. If Vivitar were asking the CIT to

determine, for example, that certain goods imported by others and sold in this country under its mark constituted infringement of Vivitar's trademark rights or another form of unfair competition, such matter would be beyond the jurisdiction of the CIT. The determinations of the respective rights between private parties under 19 U.S.C. § 1526(c) was not changed by the 1980 Act and, therefore, continues to fall within the jurisdiction of the federal district courts. In contrast, the validity of the regulations governing exclusions of goods by Customs in general is the type of question to which the CIT can bring expertise.

Judge Restani held, and we agree, that Vivitar's action against the government for a determination that the Customs regulations are invalid falls within the exclusive jurisdiction of the

CIT as a corollary to protest jurisdiction under 28 U.S.C. § 1581(a). The government attempts to undercut the basis for her anlysis by arguing that the exclusion of goods by reason of the trademark thereon is not a matter which an importer may protest. We would agree if the importer were to seek a determination of rights vis-a-vis the trademark owner, a matter to be determined in district court. On the other hand, where the subject matter is the validity of regulations or of procedures thereunder, a protest is appropriate and, therefore, the denial thereof falls within the jurisdictional grant of 28 U.S.C. § 1581(a). Accord, Lois Jeans & Jackets, U.S.A., Inc. v. United States, 5 CIT 238, 566 F. Supp. 1523 (1983) (importer brought a declaratory judgment action to determine rights against the trademark owner, while

concurrently pursuing a protest to attack the government's failure to comply with regulations). Thus, the basis for Judge Restani's analysis is correct.

We hold alternatively that jurisdiction may rest on 28 U.S.C. § 1581(i)(3) and/or (4), as a civil action against the United States which arises out of an embargo[9/] or quantitative restriction on certain goods, and the administration and enforcement thereof.

9/ We note the use of the term "embargo" in the legislative history of § 1526. 62 Cong. Rec. 11,603 (1922).

Accordingly, we affirm the decision of Judge Restani that the CIT has jurisdiction over Vivitar's claim.[10/]

III.

Statutory Interpretation

The issue, as framed by the parties, is whether the regulations of the Customs Service correctly interpret the extent of protection afforded by the statute, 19 U.S.C. § 1526. The provisions of § 1526(a) appear to create a sweeping bar to importation of any goods bearing the same trademark as that owned by a U.S. company without the latter's consent. In contrast, Customs' regulations provide for a more limited prohibition. Under current regulations, a U.S. company must

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10/ Because the CIT has jurisdiction, we have jurisdiction to review the merits of its decision under 28 U.s.C. § 1295(a)(5).

disclose foreign affiliated companies as part of the information required upon recordation of its mark.[11/] With respect to goods of these affiliated companies, Customs does not require consent to importation and will not bar importation of goods from these sources bearing the recorded trademark, even if the U.S.

11/ 19 C.F.R. §§ 133.2(d) and 133.12(d).

trademark owner demands--as Vivitar has done--that the goods be excluded.[12/]

12/ 19 C.F.R. § 133.219c)(1), quoted supra. In 1982, Vivitar submitted a formal request for a letter ruling of its entitlement to exclude all goods bearing the VIVITAR mark unless it consented to importation. After 18 months without reply, Vivitar commenced this action.

The government makes two arguments in support of a narrow reading of the statute which would limit § 1526(a) protection to that provided by the regulations: (1) Congressional intent expressed at enactment and subsequently, and (2) long standing administrative interpretation and practice. Vivitar, on the other hand, argues that the regulations violate the statute. Neither party's position is persuasive for reasons discussed below.

A.

Congressional Intent at Time of Enactment

The Court of International Trade concluded from a review of the legislative history that the sole purpose and effect of § 1526 was to nullify the result of the decision of the Second Circuit in A. Bourjois v. Katzel, 275 F. 539 (2d Cir. 1921). The government

urges that we adopt the lower court's analysis. Our review of legislative history, however, indicates that, while reversal of the Katzel decision was one purpose of § 1526, it was clearly, and we use that word advisedly, not the sole purpose. Review of events leading to passage of § 1526 must begin somewhat earlier than that case.

The Trademark Act of 1905, contained, inter alia, the following provisions[13]:

13/ A comparable provision had appeared in statutes prior to the Act of 1905. See e.g., 16 Stat. 580 (1871), apparently the first of such provisions.

> § 27: That no article of imported merchandise . . . which shall copy or simulate a trademark registered in accordance with the provisions of this act . . . shall be admitted to entry at any custom house of the United States.

The statute also specified that, "to aid" in enforcing the prohibition, the registrant was to record his certificate of registration with the Department of Treasury.

In 1916, the Second Circuit had before it an appeal from an order granting an injunction which prohibited Customs from detaining merchandise which plaintiff Gretsch sought to import. Fred Gretsch Mfg. Co. v. Schoening, 238 F. 780 (2d Cir. 1916). Gretsch bought violin strings in Germany which were manufactured by a German company Mueller and sold there under Mueller's trademark

ETERNELLE. Schoening was the exclusive sales agent for Mueller in the United States. Schoening obtained a U.S. trademark registration for ENTERNELLE for violin strings and recorded that registration with Customs.[14] When

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14/ Whether Mueller agreed that Schoening was the U.S. owner and was entitled to register the mark was not determined in the suit.

Gretsch attempted to bring in "genuine" ETERNELLE violin strings from Germany, Customs, acting under § 27, barred their importation. Gretsch sued both Schoening and the Collector of Customs in New York in district court and obtained an injunction against the action taken by Customs.

In affirming the injunction, the Second Circuit held that under the law of the Second Circuit, Gretsch's sale of "genuine" Mueller strings under the ETERNELLE mark would not be an infringement. The court then addressed whether Congress, nevertheless, intended § 27 to bar importation of "genuine" goods. The court concluded that there was no Congressional intent to bar non-infringing goods--that the words "copy or simulate" in § 27 embraced only infringements.

A few years later, the Katzel case, which has some similarities to the Gretsch case, was also decided by the Second Circuit. A French company, E. Wertheimer & Cie. (formerly A. Bourjois & Cie.), had established a business in the United States for its products, one of which was face powder sold under the trademark JAVA in a particular style of packaging. In 1913, Wertheimer sold its U.S. business, including all of its rights in the U.S. to its trademarks, trade dress, and trade names (including "A. Bourjois & Cie.") to A. Bourjois & Co., a New York corporation. Bourjois (NY) was not obligated to purchase any products from Wertheimer. However, Bourjois (NY) did, in fact, buy face powder in bulk from Wertheimer, which it then packaged for retail sale in the same style of box which Wertheimer had used in

the U.S. and was continuing the use in France.15/

15/ The principal difference was in the labelling of the respective company names. The Bourjois (NY) product bore the following legend:

> Made in France--Packed in the U.S.A. by A. Bourjois & Co., Inc., of New York, Succ'rs. in the U.S. to A. Bourjois & Cie., and E. Wertheimer 7 Cie.

The Wertheimer boxes were labelled "A. Bourjois & Cie., E. Wertheimer & Cie., Successeurs."

The defendant Katzel operated a retail pharmacy in New York City. Sometime prior to 1921, Katzel bought a quantity of Wertheimer's retail packaged JAVA face powder in France and began selling the product in her New York store and to other retailers. The packaging for the Wertheimer goods sold by Katzel was almost identical to that of Bourjois (NY), and the products were, in fact, the same. The district court enjoined Katzel's sales as infringements. The Second Circuit, relying on the infringement part of the decision in the Gretsch case, reversed on the theory that no infringement occurred since the JAVA face powder Katzel was selling was "genuine." The Katzel court did not have before it any issue of blocking importation or the

meaning of § 27. The court was simply making a decision on trademark infringement, presumably under the common law of New York.

The Second Circuit decision in Katzel had greater significance at the time than may be readily apparent. During World War I, Alien Property Custodian (an arm of the federal government) had seized assets in this country owned by foreign nationals of enemy countries and had sold them to U.S. interests. Thus, a number of substantial U.S. businesses had been created, e.g., the U.S. maker of BAYER aspirin, which was entirely independent of its German counterpart and which would have been adversely affected by importation of "genuine" goods from abroad with the normalization of international relations. Thus, the Katzel litigation

was pursued to the U.S. Supreme Court, which accepted the case, and efforts were also directed to Congress to provide relief from the Second Circuit's decision.

Several committees of Congress took up the matter. Fortuitously for proponents of restrictive importation, Congress had before it what became the Tariff Act of 1922, Pub. L. No. 67-318, 42 Stat. 975 (1922), and they were able to add § 1526 as an amendment to that bill. The legislative history of the section is very limited, consisting of a short floor debate in the Senate and a brief paragraph in the Conference Report, which reads in its entirety as follows:

> A recent decision of the circuit court of appeals holds that existing law does not prevent the importation of merchandise bearing the same trade-mark as merchandise of the United States, if the imported

> merchandise is genuine and if there is no fraud on the public. The Senate amendment makes such importation unlawful without the consent of the owner of the American trade-mark.

H.R. Rep. No. 1223, 67th Cong., 2d Sess. 158 (1922). The "recent decision" was Katzel, despite the mischaracterization of what the case had actually held.

The government argues that § 1526 was intended to do no more than "protect the property rights of Americans against fraud in the situation in which they had purchased trademark rights from foreign owners yet were unable to obtain relief when goods bearing the genuine trademark continued to be sold and imported." One sponsor did attempt to convince Senators who questioned the sweep of the proposed language that it would have no greater effect than to protect a U.S. purchaser of trademark rights in the U.S. against

fraudulent conduct by the foreign seller of those rights.16/ However, opponents were unconvinced. The question was raised as to whether U.S. made WONDER flour purchased in Canada would be excluded by the provision. The proposed legislation was hastily amended to add the limitation that only foreign manufactured goods were excludable, which took care of at least that objection.

16/ The floor debate is reported at 62 Cong. Rec. 11,602-05 (1922).

Another supporter indicated he favored the legislation because of the transfer to certain U.S. interests of the BAYER trademark by the Alien Property Custodian. Another agreed that he also understood the purpose of the legislation was to protect such interests. Advocates, thus, were clearly not limiting themselves to the Katzel situation.

Our review of the comments in the floor debate leads us to the conclusion that the debate is too unfocused and misinformed to serve as a definitive basis for interpretation of § 1526. The floor debate, like the above committee report, indicates an erroneous understanding of the facts of the Katzel case, namely, that the French seller of the JAVA trademark was violating its contract and that the Second Circuit dealt with § 27 of the Trademark Act of 1905 in

Katzel. The legislation was disparaged during the debate as a "midnight" amendment, the impact of which was not clear.

Under these circumstances, the remarks of one or more Senators are an unreliable indication of the sense of the chamber as a whole or of Congress. The only clear indication from the debate is that Congress realized it was providing a bar to importation even though at least one circuit (the Katzel court) would hold that the concurrent use of the mark on the parallel import would not be an infringement. With respect to infringing uses of trademarks on imports, such goods were already excluded, or at least excludable, by § 27 of the trademark statute. Congress did not debate or intend to change trademark law to make uniform what the various courts might hold to be infringements. Rather, it

ignored trademark law and, by amendment to customs law, gave a U.S. owner of a trademark a right to exclude foreign goods bearing the same trademark as the U.S. company had registered in the U.S. and recorded with Customs. Ownership of a U.S. trademark registration was a condition to an exercise of that right, but trademark infringement by the importer was not.

At the time of enactment, it cannot be disputed that Congress intended § 1526(a) to provide an exclusion remedy broader than that in § 27 of the trademark statute which, as held in Gretsch, was limited by the words "copy or simulate" to the barring of infringements. Additional support for the conclusion that § 1526 is not limited to infringements is found in the language of

another paragraph of § 1526 enacted at the same time. That additional provision, 19 U.S.C. § 1526(c), reads:

> (c) Any person dealing in any such merchandise [excluded under (a)] may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trade-mark and shall be liable for the same damages and profits provided for wrongful use of a trade-mark, under the provisions of such Act of February 20, 1905, as amended. [Emphasis added.]

Thus, a private remedy was created against persons dealing in merchandise prohibited under § 1526(a), who were made liable for the same damages as provided for trademark infringement. The damage remedy would have been wholly unnecessary if the statute had been intended to reach infringements only, since that remedy was already available in the Act of 1905.

A few months after the enactment of § 1526, the Supreme Court handed down its

decision in A. Bourjois v. Katzel, 260 U.S. 689 (1923). Emphasizing the territoriality of trademark rights, the Court reversed the Second Circuit's holding of non-infringement. Regardless of the genuineness of the face powder sold under the JAVA trademark in France, and its identity in composition to that sold by the U.S. trademark owner, sales by Katzel of the "genuine" article under the JAVA trademark could be enjoined in the United States because, as stated in the Court's opinion, the trademark JAVA "indicates in law, and, it is found, by public understanding, that the goods come from the plaintiff." 260 U.S. at 692. Since the goods which defendant was selling did not "come from" the plaintiff Bourjois in the sense of sponsorship, while the public would attribute such goods to the plaintiff, defendant's sales of face powder under the JAVA mark

infringed plaintiff's rights. Thus, the Court repudiated several defenses asserted to trademark infringement: (1) that the use of the trademark of Bourjois without its consent was justified because the goods sold under the mark were identical to those of the trademark owner, indeed, were obtained from the same manufacturer, and (2) that the legality of use of the trademark in the country where the importer had obtained the goods justified its concurrent use in this country.17/ The decision followed

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17/ The court also rejected the argument that the display of the respective company names (Bourjois vis-a-vis Wertheimer) on the labelling precluded confusion of the public. The decision was unanimous and one of Justice Holmes' admirably short opinions of less than three pages. The author of this opinion is embarrassed by any comparison.

the generally accepted theory that the function of a trademark is to identify the producer, the source which stands behind the goods sold under the mark, and not the product itself. Bourjois (NY) did not stand behind the goods sold by Katzel, whereas purchasers would think that it did.

The Supreme Court did not mention the § 27 exclusion provision of the trademark statute in Katzel since it was not an issue directly raised in that case. However, the question of exclusion by Customs under § 27 arose shortly thereafter in A Bourjois & Co., Inc. v. Aldridge, 263 U.S. 675 (1923). The underlying facts of Aldridge closely parallel those in Katzel, except that the trademark involved was MANON LESCAUT for face powder, another mark Bourjois (NY) had acquired from Wertheimer. Unlike Katzel, this time Bourjois sought relief

against the Collector of Customs (Aldridge) at the port of New York under § 27 of the trademark statute, as well as against the importer, Le Benart Import Co. The district court refused to grant an injunction to require Customs to bar MANON LESCAUT powder (acquired abroad from Wertheimer) from entry by the importer. On appeal, the Second Circuit certified the following two questions to the Supreme Court:

> (1) Is the sale in the United States of Wertheimer's Manon Lescaut powder an infringement of plaintiff's registered trade-marks?
>
> (2) Is the collector, by section 27 of the Trade-Mark Law, required to exclude from entry genuine Manon Lescaut powder so as aforesaid made in France?

A. Bourjois & Co., Inc. v. Aldridge, 292 F. 1013, 1014 (2d Cir. 1922).

In a memorandum opinion, the Supreme Court answered both questions in the affirmative, "upon the authority of A. Bourjois v. Katzel, 260 U.S. 689, the defendant [Aldridge] not objecting." Again, infringement was found with respect to arguably "genuine" goods. Not only was the product indentical to that of the U.S. trademark owner sold under the same mark, indeed, obtained from the same manufacturer, but also the product was legally sold under the mark at the place of origin and purchase. Nevertheless, Customs was directed to exclude this type of "genuine" good under § 27.

It is argued that had the Supreme Court decision in the Katzel case been handed down sooner, § 1526 would not have been enacted. However, the statute was enacted, and, as the discussion above indicates, it resulted in a statutory bar not limited to the facts of Katzel,

indeed, nor intended to be limited to technical determinations of infringement.

A contemporary judicial assessment of congressional intent is found in Sturges v. Clark D. Pease, Inc., 48 F.2d 1036 (2d Cir. 1931), a case in which the plaintiff sought to import for personal use a secondhand Hispano-Suiza automobile which bore the trademark "H-S." The U.S. rights in that mark had been acquired by Pease, who refused to allow the "genuine" article to be imported. Judge A. Hand, addressing the argument that § 1526 should be narrowly construed, since it would not have been enacted at all had Katzel been decided prior thereto, stated:

> But this fact does not settle the scope of the act.
>
> . . . The object of this drastic statute is to protect the owner of a foreign trademark from competition in respect to goods bearing the mark. . . . Sales of cars

> bearing the foreign trade-mark and imported without the consent of Clarke D. Pease, Inc., interfere with its right to control the use of the mark in this country which was the apparent purpose of the congressional legislation.
>
> . . . Buyers are likely to purchase Hispano-Suiza cars from Clarke D. Pease, Inc., in order to secure the mark if they cannot otherwise obtain that advantage. If they are allowed to import for personal use without its consent, Clarke D. Pease, Inc., may certainly lose customers who would be willing to buy from them rather than possess cars bearing no trade-mark. To obtain such advantages the local owner of the foreign mark is given control of the importation of all cars bearing it.

48 F.2d at 1037.

It seems quite clear that Judge Hand did not consider that the statute was limited in scope to the facts of Katzel. In his view, the statute was "drastic" in that it gave a trademark owner the right to "control" imports of "all" goods bearing the mark to which it owned U.S.

rights, regardless of the relationship between the U.S. trademark owner and the foreign producer.

Despite the reversal of Katzel and the holding in Aldridge by the Supreme Court, which it is argued made § 1526 unnecessary, the provision has not been nullified, but has remained part of the customs law. Indeed, a proposal to eliminate § 1526 from the customs law, because the Trademark Act of 1946 would carry § 27 forward as part of the new statute, was unsuccessful.18/

We conclude that no limitations, based on indications of congressional intent at the time of enactment, can be read into the statute itself.

18/ Old § 27 became § 42 (15 U.S.C. § 1124) in the 1946 statute.

B.

Administrative Interpretation

Turning to the government's second argument, it is urged that the current Customs regulations reflect a long standing administrative interpretation of the statutory provision and, thus, should be accepted as controlling on this issue. Our review of the series of regulations issued by Customs since 1923, together with administrative practice, Treasury rulings, and correspondence between various Customs officials and members of Congress, indicates that Customs has had and continues to have changing views of the role of Customs in enforcing § 1526(a) on behalf of owners of registered U.S. trademarks (as well as in enforcing the import exclusion in the Trademark Acts of 1905 and 1946).

The first regulations following enactment of § 1526 were issued by Customs in 1923. As noted in Judge Restani's opinion, these regulations offer little insight into the agency's interpretation, in that they merely recognize that U.S. owners of registered trademarks were entitled to the protection of § 1526. (Customs Regulations of 1923, Articles 475-480.) Upon reenactment of § 1526 as part of the Tariff Act

of 1930,[19] new regulations were issued as follows:

19/ The following remarks of Senator Reed at that time are relied on by the government as indicating Congress' understanding of the provision:

> At the present time the tariff laws forbid the importation of an article bearing a trade-mark registered in America unless the owner of that trade-mark consents in writing to the importation. Obviously the purpose of that provision is to protect the American owner of the trade-mark against importations of articles which have been stamped with his mark without his consent. [Emphasis added.]

71 Cong. Rec. 3873 (1929).

We think this remark is ambiguous at best and of little significance of this case. "[W]ithout his consent" could depend from either "importations" or "stamped," which changes the meaning completely.

> Prohibition of entry -- Entry is prohibited of imported merchandise bearing a genuine trade-mark when such trade-mark is recorded with the Treasury Department and registered under the trade-mark law of February 20, 1905, if compliance is had with all provisions of section 526 of the tariff act of 1930, provided the period of protection for such trade-mark has not expired. [Emphasis added.]

Customs Regulations of 1931, Article 513(a). The bar against goods with "genuine" marks appears to have been considered at that time, by Customs, to be absolute. Without the U.S. trademark owner's consent, all goods, even with "genuine" marks, were barred. Sturges, supra.

The first inroad on that concept is found in the 1936 regulations. It must first be noted that Customs regulations have dealt with exclusions based on

trademarks in a single set of regulations, whether under § 1526 or under the trademark statute. In the 1936 regulations, goods barred under § 1526 were stated to be deemed for purposes of the regulations to bear a trademark which "copies or simulates" a protected trademark (language taken from the trademark statute). Imported goods were no longer subject to either the trademark or customs law prohibition in the absence of the trademark owner's consent "if such foreign trade-mark . . . and such United States trade-mark . . . are owned by the same person, partnership, association, or corporation."

In 1953, Customs put into the regulations a much broader limitation under 19 C.F.R. § 11.14. Importation was no longer to be barred by Customs in the absence of the trademark owner's consent if the foreign trademark was owned by a

"related company" (as defined in § 45 of the Trademark Act of 1946) of the U.S. owner, and disclosure of such related companies was required. The definition in § 45 (15 U.S.C. § 1127) covers licensees as well as commonly owned companies. 20/

20/ 15 U.S.C. § 1127 defines related company as follows:

> The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

Despite these regulations, some U.S. trademark owners continued to enjoy the exclusion of imports of "genuine" goods from abroad apparently by reason of earlier recordation of a mark before disclosure of affiliates was required. Such a situation was revealed in United States v. Guerlain, Inc., 155 F. Supp. 77, 114 USPQ 223 (S.D.N.Y. 1957). A U.S. distributor, Guerlain, had utilized the exclusionary provisions of § 1526(a) to prevent importation by others of the same goods which Guerlain was importing. In the district court, the United States successfully maintained that Guerlain's action was in violation of § 2 of the Sherman Act by monopolizing or attempting to monopolize the goods sold under the trademark, i.e., intraband competition in

the subject goods was prevented.[21] Had this ruling stood, Vivitar would not be advancing the interpretation of § 1526 which it is urging today. However, during the pendency of the case before the Supreme Court, the Justice Department moved to vacate the judgments of the district court in its favor to enable it to move in that court to dismiss. As reasons for such action, the government stated that it was the practice of Customs to allow such exclusions of "genuine" goods and that the government would seek legislation to clarify that the products of an affiliate of the U.S. trademark owner were not subject to the exclusion remedy. The Supreme Court

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21/ Two other defendants were similarly charged with respect to other goods and marks. The cases were consolidated because of the common issue. There was no charge of conspiracy among the defendants.

granted the government's motion. 358 U.S. 915 (1958). Efforts to obtain such legislation proved unfruitful. See H.R. 7234, 86th Cong., 1st Sess. (1959).

In 1959, apparently as a result of the Guerlain situation, Customs expressly went back to the more limited 1936 exception, i.e., importation was allowed without consent only if the "same entity" owned rights here and abroad. See J.F. Atwood, Import Restrictions on Trademarked Merchandise--The Role of the United States Bureau of Customs, 59 Trademark Reporter 301, 307 (1969). It appears from Treasury Decision T.D. 69-12(2) (1969) in the record, however, that the "same entity" requirement was satisfied, in the view of Customs, by a parent/subsidiary relationship. However, disclosure of foreign relationship was not required in the 1959 regulations except for principal and agent, 19 C.F.R.

§ 11.15(a) (1959), so that Customs could not uniformly enforce the limitations.

In 1972, the regulations were again revised. The new regulations, 19 C.F.R. § 133.21, carried forward the "same entity" limitation and added limitations explicitly for (1) parent/subsidiary corporations and other common ownership of the owners of the foreign and U.S. trademarks (§ 133.21(c)(2)) and (2) foreign licensees of the U.S. company which is the owner of a U.S. trademark (§ 133.21(c)(3)). (The regulation does not distinguish between a licensee of U.S. rights or foreign rights). Disclosure of these names is required.

With respect to actual administration practice, during some years Customs acted to exclude goods which, under its regulations, should not have been excluded because it lacked information to implement its regulations. Thus,

trademark recordants prior to 1953 were treated differently from recordants between 1953-1959 and those after 1959 differently from those before that date. Whether earlier recordants are not treated the same today as those after 1972 we do not know. In the above cited article by J.F. Atwood, a customs law specialist at the then Bureau of Customs, the problem of lack of uniform administration is discussed. 59 Trademark Reporter at 310-11. One section is entitled "The Related Company Riddle" and concludes with the statement:

> Thus related companies are no longer denied full protection merely because they are affiliated with a foreign firm, or because control as to the nature and quality of the trademark [sic, goods sold under trademark] is exercised, but only because there is common ownership or control.

59 Trademark Reporter at 317. Work on clarifying the position of Customs with

respect to bars against related companies was proceeding at that time (1969).

Similarly, a comprehensive study is being made at this time with respect to genuine goods in the grey market. See Solicitation of Economic Data Notice, 49 Fed. Reg. 21,453-56 (1984). As stated therein:

> Because of the controversy and considerable interest on both sides of the issue expressed in many letters to, and requests for meetings with, the Executive Branch Departments and Agencies, the Cabinet Council on Commerce and Trade's [CCCT] Working Group on Intellectual Property [WGIP] is studying the issues relating to parallel imports. The WGIP may make a recommendation to the CCCT with respect to parallel imports of trademark products when it concludes its study.

While the notice does not propose new regulations, we discern a continued uncertainty within the executive branch

as to the meaning of the exclusion provisions.

Finally, we note that Customs joined with the Department of Justice in filing an amicus brief in 1983 in another "grey market" goods case entitled Bell & Howell: Mamiya Co. v. Masel Supply Co., 719 F.2d 42 (2d Cir. 1983), in which the government urged the court to construe § 1526(a) "in accord with the normal meaning of the statutory language" and repudiated the position urged here.

While the government has cited other official or semi-official statements of Customs' interpretation of § 1526(a), we do not see that these materials help its "long standing administration" argument here. Rather than a consistent policy of administration over the years, reflecting an unvarying interpretation of the statute, it appears that Customs has had continuing questions concerning the

reading of the statute. It is evident that, over the years, Customs has attempted to adjust its regulations to reflect the few judicial decisions which interpreted the law prior to 1972. The regulations, while imposing the "same entity" limitation since 1936, have not been consistent in respect of what other limitations should be recognized nor has consistency been unequivocally shown in enforcement. Thus, like the legislative history argument, the "long standing administrative interpretation" argument of the government and intervenor does not afford a basis for a definitive statutory interpretation.

C.

Implied Ratification

Finally, the government argues that Congress has ratified the interpretation given to the statute by the Customs regulations. As early as 1954, Treasury

informed Congress that the overlap of 19 U.S.C. § 1526 and 15 U.S.C. § 1124 "was confusing," and that a proposed amendment of § 1526 to specify that exclusion was not authorized with respect to commonly owned companies, agents, licensees, etc., would endorse Customs' interpretation. The amendment was not passed.

In 1978, Congress did amend § 1526 to add an exemption from the statutory bar against importation with respect to goods accompanying travellers for personal use (19 U.S.C. § 1526(d)). The House Report (H.R. Rep. 521, 95th Cong. 1st Sess. 27 (1977)) states, albeit incorrectly, that the Customs Service had consistently interpreted § 1526 as not encompassing imports which were authorized by the U.S. trademark owner to be produced abroad. Nothing in any materials we have been able to find indicates in any way that the limitations

set forth in the Customs regulations were endorsed or incorporated into the statute. Several problems concerning individual travellers were being addressed, of which the bar to bringing in "genuine" goods for personal use was one of the most annoying.

From these events, appellees argue that Congress must be deemed to have, in effect, incorporated the limitations of the 1972 regulations into the statute because it was aware of them. We cannot agree. Legislation by total silence is too tenuous a theory to merit extended discussion.

IV.

Interrelationship of
Statute and Regulations

Vivitar attacks the regulations as contrary to § 1526(a) and, therefore, invalid. In Vivitar's view, the statute, but not the regulations, provides an

absolute bar to importation of goods manufactured abroad which bear a trademark identical to one registered in the U.S. by a U.S. entity unless the latter consents. Thus, per Vivitar, the regulations unlawfully limit the rights of the trademark owner given by the statute.

It appears that Vivitar's position is based on an erroneous understanding as to the structure of the statute and the nature of the subject regulations. Vivitar's arguments are premised on the assumption that the regulations set the limits of its right to exclude under § 1526(a). This premise erroneously treats the regulations as legislative rules having the force of law. Congress may, of course, entrust an agency with the duty of exercise its judgment under guidelines set forth in a statute, and to fill in the extent of protection there-

under. See, e.g., Batterton v. Francis, 432 U.S. 416, 425 (1977). However, we find no language in the statute by which Congress delegated such legislative authority to the Secretary of Treasury in connection with administration of § 1526(a). 22/ Without such authority,

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22/ The regulations were issued pursuant to general authority under 19 U.S.C. § 1624. In contrast, § 1526(d)(2) contains a specific delegation of legislative type authority to the Secretary with respect to importations for personal use and specific authority to issue regulations in § 1526(d)(4). In some instances legislative authority may be found without a specific grant if it is clear from "the language and logic of the [statute] and its legislative history" that such authority was contemplated. Chrysler Corp. v. Brown, 441 U.S. 281, 308 (1979).

Customs regulations cannot affect the actual scope of a trademark owner's rights vis-a-vis an importer under the statue. See 2 K. Davis, Administrative Law Treatise § 7.8 (2d ed. 1979).

Regardless of whether Customs excludes or does not exclude particular imports, the courts must independently determine whether the importation is or is not precluded by the statute. In connection with exclusion under the trademark statute (15 U.S.C § 1124), Customs' administrative determination that importations bear a mark that is not likely to cause confusion with a recorded mark has no effect on a trademark owner's right to obtain a judicial determination of infringement and, thereafter, to have such goods excluded (or vice versa). See La Societe Anonyme des Parfums LeGalion v. Jean Patou, Inc., 495 F.2d 1265, 181 USPQ 545 (2d Cir. 1974); Lois Jeans &

Jackets, U.S.A., Inc. v. United States, 5 CIT 238, 566 F.Supp. 1523 (1983) (injunction granted against exclusion pending determination of infringement in district court); Holland v. C. & A. Import Corp., 8 F.Supp. 259, 261 (S.D.N.Y. 1934); see also Humble Oil & Refining Co. v. Sekisui Chemical Co., 165 USPQ 597, 604-605 (TTAB 1970) (Customs defers to decision of TTAB or other tribunal). Similarly, Customs' decision, as expressed in the subject regulations, not to exclude grey market goods does not control on the question of whether particular goods should or should not be excluded. A trademark owner is entitled, as in the "confusingly similar" mark case, to pursue private remedies against

the importer and, if successful, to have such grey market goods exlcuded.23/

23/ If we turn to regulations of Customs related to other statutory exclusions, the non-legislative nature of all of these regulations becomes readily apparent. Trade names (i.e. company names) may be recorded only if used for six months. Nothing in 15 U.S.C. 1124 establishes this requirement. No automatic exclusion is provided at all pursuant to 15 U.S.C. 1125(b) which relates to unfair competition cases (§ 43(a) of the Lanham Act, 15 U.S.C. 1125(a)).

With these considerations in mind, we conclude that the regulations do no more than define Customs' role in initiating administrative enforcement of the statute. Viewed in this manner, it is apparent that the regulations are not contrary to the statute in the sense that goods are being routinely exlcuded which should be admitted or vice versa. Nor has any instance been brought to our attention where, after a judicial determination that imports should be excluded, Customs refused thereafter to undertake to act accordingly. Vivitar's complaint is simply that the regulations do not go far enough in automatically excluding all types of grey market importations.

In our view, Customs is not required to exclude all grey market goods sua sponte. Congress could not have foreseen all possibilities in international trade relationships at the time of enacting the

statute. The variations of the grey market are myriad.24/ While we have

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24/ For example, the U.S. and foreign trademark rights may be owned by the same entity or by related companies, or by wholly separate companies. The goods of the U.S. owner may be imported and may be identical to, or different from, the parallel import. Goods may be produced in U.S. by the U.S. trademark owner and different goods produced abroad by the U.S. owner or by its affiliate. Services and warranties may or may not be the same here and abroad. A foreign licensee (i.e., related company) may be required by foreign law and may not be subject to meaningful control by the U.S. owner. A number of such actual variations are indicated by the cases cited in this opinion; other are discussed in Takamatsu, Parallel Importation of Trademarked Goods: A Comparative Analysis, 5 Wash. L. Rev. 433 (1982).

rejected the government's argument that the statute must be interpreted as limited by the regulations, we must also reject the view that the statute may not have any implied limitations or that general principles such as "agency," "piercing the corporate viel," "sham" transactions, "estoppel," "fraud" or other defenses could not defeat an apparent right to invoke the statute.

In any event, if we return to the statute, U.S. trademark owners are provided therein essentially with a private remedy, which is properly being tested in the federal district courts with increasing frequency and where issues, such as those raised above, are being resolved. It appears to us that § 1526(a) may be developing on a case-by-case basis into protection against sui generis types of unfair competition in

international trade.25/ That Customs regulations do not provide for exclusion initially in a case where the trademark owner ultimately prevails in federal district court does not mean that regulations must be declared invalid. Where protection under the statute is unclear or depends upon resolution of complex factual situations, Customs may decline to impose sua sponte the extreme sanction of exclusion and leave such cases for initial determination by the district courts under the private remedies provided to the trademark owner in

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25/ Selchow & Righter Co. v. Godex Corp., No. 84-8264 (S.D. Fla. 1985); Osawa & Co. v. B. & H. Phote, 589 F.Supp. 1163, 223 USPQ 124 (S.D.N.Y. 1984); Bell & Howell: Mamiya Co. v. Masel Supply Co., 589 F. Supp. 1063, 215 USPQ 870 (E.D.N.Y. 1982), Parfums Stern, Inc. v. Customs Service, 475 F.Supp. 416 (S.D. Fla. 1983); Model Rectifier Corp. v. Takachiho Int'l, Inc., 221 USPQ 502 (9th Cir. 1983).

§ 1526(c).26/ Indeed, the fact that the trademark owner is provided with the remedies of injunction and damages against private parties who have improperly dealt in the goods in the United States negates the idea that agency-initiated action in all cases is expected. Further, the absence of a provision for expeditious relief and monetary compensation for an importer whose goods are improperly excluded

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26/ See Lois Jeans & Jackets, U.S.A., Inc. v. United States, 5 CIT 238, 244 566 F.Supp. 1523, 1528 (1983) ("judicial expertise . . . is clearly in the District Court.").

cautions against automatic administrative exclusion in such cases.27/

Accordingly, we hold the current regulations to be valid but not controlling with respect to the scope of protection of 19 U.S.C. § 1526(a). To obtain any additional protection, Vivitar

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27/ Cf. 19 C.F.R. § 133.43 (copyright exclusion regulations which require, inter alia, U.S. copyright owner to post a bond conditioned to hold the importer or owner of the imported articles harmless from any loss or damage resulting from Customs detention).

must first pursue a determination of its alleged rights against persons engaging in parallel importation of VIVITAR photographic equipment in federal district court, and, if successful, is entitled to have the parallel imports excluded by Customs.

Conclusion

We conclude that the Court of International Trade had exclusive jurisdiction to determine the validity of the current regulations administering 19 U.S.C. § 1526(a). We further conclude that the scope of the statutory protection afforded to a U.S. trademark owner under 19 U.S.C. § 1526 is not fixed by the Customs regulations. The regulations, 19 C.F.R. § 133.21, are upheld as a reasonable exercise of administratively initiated enforcement. The judgment of the Court of International Trade is affirmed.

AFFIRMED

APPENDIX

§ 1526. Merchandise bearing American trade-mark

(a) Importation prohibited

Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of section 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of

such trademark is produced at the time of making entry.

(b) Seizure and forfeiture

Any such merchandise imported into the United States in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws.

(c) Injunction and damages

Any person dealing in any such merchandise may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trademark and shall be liable for the same damages and profits provided for wrongful use of a trade-mark, under the provisions of sections 81 to 109 of title 15.

(d) Exemptions: publication in Federal Register; forfeitures; rules and regulations

(1) The trademark provisions of this section and section 1124 of title 15, do not apply to the importation of articles accompanying any person arriving in the United States when such articles are for his personal use and not for sale if (A) such articles are within the limits of types and quantities determined by the Secretary pursuant to paragraph (2) of this subsection, and (B) such person has not been granted an exemption under this subsection within thirty days immediately preceding his arrival.

(2) The Secretary shall determine and publish in the Federal Register lists of the types of articles and the quantities of each which shall be entitled to

the exemption provided by this subsection. In determining such quantities of particular types of trade-marked articles, the Secretary shall give such consideration as he deems necessary to the numbers of such articles usually purchased at retail for personal use.

(3) If any article which has been exempted from the restrictions on importation of the trade-mark laws under this subsection is sold within one year after the date of importation, such article, or its value (to be recovered from the importer), is subject to forfeiture. A sale pursuant to a judicial order or in liquidation of the estate of a decedent is not subject to the provisions of this paragraph.

(4) The Secretary may prescribe such rules and regulations as may be necessary to carry out the provisions of this subsection.

(e) Merchandise bearing counterfeit mark; seizure and forfeiture; disposition of seized goods

Any such merchandise bearing a counterfeit mark (within the meaning of section 1127 of title 15) imported into the United States in violation of the provisions of section 1124 of title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary shall notify the owner of the trademark, and shall, after forfeiture, obliterate the trademark where feasible and dispose of the goods seized --

(1) by delivery to such Federal, State, and local government agencies as in the opinion of the Secretary have a need for such merchandise,

(2) by gift to such eleemosynary institutions as in the opinion of the Secretary have a need for such merchandise,

(3) more than 1 year after the date of forfeiture, by sale by appropriate customs officers at public auction under such regulations as the Secretary prescribes, except that before making any such sale the Secretary shall determine that no Federal, State, or local government agency or eleemosynary institutions has established a need for such merchandise under paragraph (1) or (2), or

(4) if the merchandise is unsafe or a hazard to health, by destruction.

United States Court of Appeals for the Federal Circuit

VIVITAR CORPORATION,	)	
	)	
Appellant,	)	
	)	
v.	)	NO. 84-1638
	)	
THE UNITED STATES, ET AL.,	)	
	)	
Appellees,	)	
	)	
and	)	
	)	
47TH STREET PHOTO, INC.,	)	
	)	
Intervenor.	)	

DAVIS, Circuit Judge, concurring in the result.

On the jurisdiction of the Court of International Trade (CIT), I agree with the court's opinion, adding only the citation of American Association of Exporters v. United States, 751 F.2d 1239, 1244-46 (Fed. Cir. 1985), a recent decision of this court plowing much of the ground of the CIT's current power.

On the merits, I agree with the majority that the challenged Customs

regulation is valid because Customs could properly, for its own administrative and enforcement purposes, provide that it would exclude less than all the trademarked goods that might turn out to be covered by § 1526(a), e.g., that Custom's own enforcement need not be coterminous with the full reach of that statute as it applies between private persons. Unlike the majority, I find that since 1936 the Customs regulations have been substantially consistent as they apply to imported goods comparable to those Vivitar says should be excluded in its case.

I do not join the court's opinion mainly because I think it is wholly inappropriate for this court to go further and to delve (as it does extensively in Part III of the majority opinion) into bases for construing § 1526(a) as that legislation applies between private parties. That type of

discussion should be left to the district courts and the regional courts of appeals when they are faced with a suit (under 19 U.S.C. § 1526(c), 28 U.S.C. §§ 1331 and 1338) by the trademark owner against persons dealing in this country in merchandise said to have been imported in violation of § 1526(a). The CIT will never deal with those private-party suits and issues, and this court can reach them only if they happen to be joined with an appealed patent claim. 28 U.S.C. § 1295(a)(1). To me, it is needless and gratuitous for this court, in this international trade case coming from the CIT, to indulge in lengthy dicta bearing on the full scope of § 1526(a), obiter dicta which will not bind any court in a private suit but which simply tends to confuse the trademark bar.

I certainly agree that we should make it clear that the Customs regulation does not necessarily cover the full sweep of § 1526(a), but it is not for us to indicate affirmatively (as the majority does), even in dicta, that that full sweep is actually wider than the regulation. The entire matter should be left to further litigation with which we can only be haphazardly concerned, if at all. All that we hold in this case is that the Customs regulation is now valid as a Customs enforcement regulation. That is quite enough.

APPENDIX B

United States Court of Appeals for the Federal Circuit

VIVITAR CORPORATION,	)	
	)	
Appellant,	)	
	)	
v.	)	NO. 84-1638
	)	
THE UNITED STATES, ET AL.,	)	
	)	
Appellees,	)	
	)	
and	)	
	)	
47TH STREET PHOTO, INC.,	)	
	)	
Intervenor.	)	

ORDER

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is Ordered by the court that the petition

for rehearing be, and the same is hereby, Denied.

FOR THE COURT:

/s/
George E. Hutchinson,
Clerk

June 12, 1985
Date

cc: Steven P. Kersner
Velta A. Melnbrencis
Nathan Lewin
Robert E. Hebda
Max F. Schutsman
Robert Ullman
Richard B. Kelly
Frank W. Gaines
Edward T. Borda

APPENDIX C

UNITED STATES COURT OF INTERNATIONAL TRADE

VIVITAR CORPORATION,	:	
	:	Before:
Plaintiff	:	
	:	RESTANI,
v.	:	JUDGE
	:	Court No.
THE UNITED STATES ET AL.,	:	84-1-00067
	:	
Defendants,	:	
	:	
and	:	
	:	
47TH STREET PHOTO, INC.,	:	
	:	
Defendant-Intervenor.	:	

Memorandum Opinion and Order

[Plaintiff's motion for summary judgment denied. Defendants' cross-motion granted.]

Decided: August 20, 1984

Stein, Shostak, Shostak & O'Hara (Steven P . Kersner, Irwin P. Altschuler and Donald S. Stein), for the plaintiff.

R. Kenton Musgrave, for the plaintiff.

Wiley, Johnson & Rein (James M. Johnstone, Thomas W. Kirby and Dwight G. Rabuse), for the plaintiff.

Richard K. Willard, Acting Assistant Attorney General, David M. Cohen, Director, Commercial Litigation Branch, and Velta A. Melnbremcis, for defendants.

Miller, Cassidy, Larroca & Lewin (Nathan Lewin, Jamie S. Gorelick, James L. Volling and Rory K. Little), for intervenor.

Groman & Wolf (Marvin H. Wolf), for intervenor.

Covington & Burling (William H. Allen, Eugene A. Ludwig, Scott D. Gilbert and Daniel A. Rowley), for amici curiae

Coalition to Preserve the Integrity of American Trademarks, et al.

James C. Tuttle and Deborah L. Miela for amicus curiae K mart Corporation.

Steele, Simmons & Fornaciari (Robert W. Steele and Robert E. Hebda), for amicus curiae K mart Corporation.

Howery & Simon (John F. Bruce, Kevin P. O'Rourke, Catherine Shea) for amicus curiae K mart Corporation.

Bass, Ullman & Lustigman (Robert Ullman, Sandler & Travis of counsel), for amicus curiae American Free Trade Association.

Olwine, Connelly, Chase, O'Donnell & Weyher) (William F. Sondericker), for amicus curiae Progress Trading Company, Inc.

Kelly, Lucas & Mohen (Richard B. Kelly and Thomas P. Mohen), for amicus

curiae National Association of Catalog Showroom Merchandisers.

Background

In this action plaintiff seeks a declaratory judgment that the United States Customs Service must exclude all imports bearing plaintiff's trademark that are entered without the written consent of plaintiff.1/ Plaintiff contends that 19 U.S.C. § 1526(a) (1982) gives it an unqualified right to demand such exclusion.2/

1/ Plaintiff's complaint seeks relief in the nature of mandamus. In a later filing, plaintiff conceded that declaratory relief would be adequate. Therefore, the court will treat plaintiff's action as one for declaratory or injunctive relief.

2/ 19 U.S.C. § 1526(a) provides: Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or (Continued)

Plaintiff is a California corporation and the owner of the Vivitar trademark in the United States. Plaintiff licenses foreign manufacturers to apply the Vivitar trademark to a variety of photographic equipment. Plaintiff's wholly owned subsidiaries market this equipment outside of the United States. Apparently these subsidiaries are not licensed to market these goods in the United States. The

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the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

parties agree that third parties unrelated to plaintiff are importing into the United State equipment bearing the Vivitar trademark, which equipment was manufactured by the foreign licensees. The parties also agree that plaintiff has not given its written consent to these particular imports.

The unauthorized importation of genuine trademarked goods is a widespread practice. Apparently a number of American trademark owners authorize foreign companies to apply the American-owned trademark to goods manufactured abroad. Often the foreign companies are authorized to market the trademarked goods abroad but not authorized to import the goods into the United States except through channels approved by the trademark owner. Due to a variety of market conditions there are often

substantial price differences between the price the foreign companies charge abroad and the price in the United States. When the United States price is substantially higher than the foreign price, importers can profitably buy large quantities of the trademarked goods overseas, import them to the United States, and sell them to distributors and retailers at a discount. American companies such as intervenor 47th Street Photo, Inc. and amicus curiae K mart Corporation purchase large quantities of these imports and offer them for sale at prices often far below those of retailers selling goods the American trademark owner has authorized for importation. However, since these goods are sold outside of the trademark owner's intended chain of distribution, they frequently have different warranties and packaging from

that intended by the trademark owner. This pattern of unauthorized importation is part of what is known as the grey market.

The Customs Service does not prohibit grey market imports as described above. The Customs Service interprets § 1526(a) to deny trademark owners the right to require the exclusion of the trademarked goods manufactured abroad when the trademark owner has authorized the foreign manufacturer to apply the trademark to the goods. 19 C.F.R. § 133.21 (1983).3/ Plaintiff contends

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3/ 19 C.F.R. § 133.21 provides in relevant part:

> (b) Identical trademark. Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture and prohibited importations.

(Continued)

that the Customs Service's interpretation of § 1526(a) is contrary to law. This matter is before the court on plaintiff's and defendants' cross-motion for summary judgment.4/

(c) Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

(1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control (see §§ 133.2(d) and 133.12(d));

(3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner;

19 C.F.R. § 133.21(b), (c) only speaks to seizure and forfeiture of trademarked goods. The parties agree that the Customs Service uses the same criteria for determining whether to exclude goods bearing a registered trademark.

4/ This court has previously determined that it has jurisdiction over

(Continued)

Exhaustion of Administrative Remedies

Initially, amicus curiae K mart contends that this action should be dismissed because plaintiff has failed to exhaust its administrative remedies. This court will, where appropriate, require the exhaustion of administrative remedies. 28 U.S.C. § 2637 (1982). Plaintiff has satisfied this requirement.

On May 14, 1982, plaintiff submitted to the Customs Service a formal request for a letter ruling that would bar commercial importation of goods bearing the Vivitar trademark unless Vivitar consented to the importation.5/

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plaintiff's claim. Vivitar Corporation v. United States, 7 CIT ___, 585 F.Supp. 1419 (1984).

5/ Letter rulings are authorized by 19 C.F.R. § 177.1 et seq. (1983). They represent the official position of the Customs Service until modified or revoked. 19 C.F.R. § 177.9.

Plaintiff supplemented this request with further information on July 15, 1982 and August 25, 1982. The Customs Service has never formally responded to this request. As K mart admits, a Customs letter ruling is agency action which is subject to judicial review. Under the circumstances of this case, failure to act on plaintiff's request for a letter ruling amounts to final agency action through withholding of relief. 5 U.S.C. § 551(10)(B), (13), § 704 (1982).6/ Plaintiff waited over eighteen months for a formal response to its request. It would be pointless and unjust to require

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6/ It should be noted that the instant case arises under 28 U.S.C. § 1581(i). The court expresses no opinion as to the appropriate circumstances for judicial review of requests for letter rulings that may be eventually reviewable pursuant to 28 U.S.C. § 1581(h).

plaintiff to await a ruling that may never be made.7/

Moreover, the issue before the court is purely one of the validity of the administrative interpretation of a statute. There is no problem with identifying the pertinent facts contained in the administrative and legislative history. Thus, little would be gained by awaiting a possible response to plaintiff's request for a letter ruling. See National Automatic Laundry and Cleaning Council v. Schultz, 443 F.2d 689, 695 (D.C. Cir. 1971).

7/ The Customs Service is engaged in an ongoing inquiry into grey market trade practices. 49 Fed. Reg. 21453 (1984). There is no indication that this inquiry will lead to agency action responding to plaintiff's request. And regardless, the Customs Service will not issue a letter ruling involving any issue while the issue is being litigated before this court. 19 C.F.R. § 177.7.

K mart apparently contends that the present action is not presented properly as an appeal from the Customs Service's failure to act, since plaintiff's initial action was presented in the form of a mandamus action. This contention is meritless. Plaintiff's complaint is not limited to requesting mandamus relief. And in any case, since plaintiff has satisfied the requirement of exhaustion of administrative remedies, it is irrelevant how its action for judicial review is labeled.

Lack of Material Factual Disputes

Intervenor opposes plaintiff's motion for summary judgment on the ground that material issues of fact exist requiring a trial. "In ruling on cross-motions for summary judgment, the court must determine if there exist any genuine issues of material fact." PPG

Industries, Inc. v. United States, 7 CIT ___, Slip Op. 84-27 at 3 (March 28, 1984) (citing American Motorists Insurance Co. v. United States, 5 CIT ___, Slip Op. 83-8 (February 1, 1983)). The court can only grant summary judgment if no material issues of fact are in dispute. Intervenor contends that a trial is necessary to determine plaintiff's corporate structure. Intervenor argues that this is needed to ascertain the proper application of the Customs Service's administrative practice to imports bearing plaintiff's trademark. Intervenor also contends that a trial is needed to determine the Customs Service's historic administrative practice concerning unauthorized importation of goods bearing genuine trademarks. Intervenor contends further that there is a factual dispute over whether plaintiff

consents to the importation of all goods sold overseas by its subsidiaries, and whether plaintiff is harmed by this importation.8/

Intervenor is correct in noting that plaintiff's relationship with its overseas manufacturers and subsidiaries is material. See 19 C.F.R. § 133.21(c) (footnote 3, supra). But no material facts concerning this relationship are in dispute. Plaintiff admits that its overseas distributors are wholly owned

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8/ Intervenor also contends that a number of plaintiff's factual allegations should not be considered due to the absence of certified copies of supporting documents. Court of International Trade Rule 56(f). The court declines to require full technical compliance with Rule 56(f) because the documents referred to by intervenor either support undisputed facts (plaintiff's ownership of the Vivitar trademark in America) or nonmaterial facts. See Rule 1 of this court.

subsidiaries and that it consents to overseas manufacturers' applying the Vivitar trademark to goods sold overseas. Thus, plaintiff admits all the material facts necessary to application of current Customs Service policy. What plaintiff contests is the legality of that policy.

Intervenor is also correct in noting that the Customs Service's historic administrative practice is relevant to determining the proper application of § 1526(a). See Norwegian Nitrogen Products Co. v. United States, 288 U.S. 294, 311 (1933). But again no trial is necessary concerning this issue. All parties and amici curiae have submitted substantial material documenting the administrative history of § 1526(a). No party has challenged the authenticity of the material submitted. The court may take judicial notice of the material

submitted and of material reviewed in its independent legal research into the history of § 1526(a). These are legislative facts of general application, not specific to the parties, which the court may freely notice. See Fed. R. Evid. 201(a), Notes of Advisory Committee; Treasure Salvors, Inc. v. Unidentified Wrecked and Abandoned Sailing Vessel, 569 F.2d 330, 336 (5th Cir. 1978); Association of National Advertisers, Inc. v. Federal Trade Commission, 627 F.2d 1151, 1161-1163 (D.C. Cir. 1979), cert. denied, 447 U.S. 921 (1980).

Intervenor's contention that plaintiff impliedly consents to the importation of goods bearing its trademark also does not require trial. Intervenor has not contended that plaintiff has consented in writing to the entries it now wishes to control. Such a contention

would be a material factual dispute. See 19 U.S.C. § 1526(a). Instead intervenor contends that facts admitted by the plaintiff concerning its structure and licensing arrangements require the court to imply as a matter of law that plaintiff consents to importation of all goods manufactured by its licensees bearing its trademark. This contention is disuputed by the parties, but it does not require a trial since it is a legal issue, and all the material facts concerning the issue are undisputed.

Finally, plaintiff's contention that it is commercially injured in various ways by unauthorized imports is not material to plaintiff's action under § 1526(a). The statute does not require any trademark owner to demonstrate actual commercial injury. Thus, the fact that

intervenor disputes this contention is irrelevant.9/

Therefore, the court concludes that there are no material issues of fact requiring trial and that this case is appropriate for summary disposition.

History of § 1526(a)

The central issue in this case is the proper construction of § 1526(a). Plaintiff contends that the plain language of the statute gives it the right to require the exclusion of all goods bearing the Vivitar trademark. Plaintiff further contends that this construction is supported by the legislative and administrative history of the statute. Defendant and intervenor

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9/ Plaintiff's standing to bring this action is not challenged. It alleges a legal injury stemming from adverse agency action. See 28 U.S.C. § 2631(i).

concede that the literal language of § 1526(a) supports plaintiff's construction. But they contend that the legislative history demonstrates that Congress intended a much narrower scope than that which is evident in the literal words of § 1526(a), and that this construction is supported by the Customs Service's long-standing administrative practice and Congressional ratification.

The principle purpose of statutory construction is to determine and give effect to Congressional intent. United States v. Siemens America, Inc., 68 CCPA 62, 68, 653 F.2d 471 (1981), cert. denied, 454 U.S. 1150 (1982). To determine Congressional intent, the court must look to the language of the statute. Id. But statutory language cannot control if clearly demonstrated Congressional intent requires a different

construction. Bob Jones University v. United States, ____ U.S. ____, 103 S.Ct. 2017, 2025 (1983); Church of the Holy Trinity v. United States, 143 U.S. 457, 459 (1982). Legislative history is important evidence of Congressional intent. British Steel Corporation v. United States, 6 CIT ___, 573 F.Supp. 1145, 1148 (1983). And in construing a statute, the administrative practice of the agency charged with administering the statute is entitled to substantial deference. Zenith Radio Corporation v. United States, 437 U.S. 443, 450 (1978); Melamine Chemicals, Inc. v. United States, 732 F.2d 924 (Fed. Cir. 1984). Therefore, a careful examination of the legislative and administrative history is essential in determining the intended scope of § 1526(a).

Congress first restricted importation of merchandise bearing trademarks in 1871. 16 Stat. 580 (1871). This act and a number of subsequent acts restricted importation of merchandise bearing a trademark that "copied or simulated" a domestic trademark. These restrictions were put in their current form by the Trademark Act of 1905, Pub. L. No. 58-84, 33 Stat. 724 (1905). Section 27 of the act (Now 15 U.S.C. § 1124 (1982)) provides in relevant part that "no article of imported merchandise ... which shall copy or simulate a trade-mark registered in accordance with the provisions of this Act ... shall be admitted to entry...."

After enactment of this section, a pair of Second Circuit cases tested the meaning of the term "copy or simulate." Fred Gretsch Mfg. Co. v. Schoening, 238 F. 780 (2d Cir. 1916); A. Bourjois & Co.,

Inc. v. Katzel, 275 F. 539(2d Cir. 1921); rev'd, 260 U.S. 689 (1923). In the Gretsch case, a German company manufactured violin strings under the trademark "Eternelle." Schoenig had an exclusive agency for the sale of "Eternelle" strings in the United States and registered "Eternelle" as his trademark in the United States. Gretsch purchased "Eternelle" strings in Germany and attempted to import them. Schoening sought to bar the importation, claiming that the trademark on Gretsch's strings copied or simulated its trademark depsite the fact that the imported strings were identical to the strings Schoenig marketed. In Katzel, a French company manufactured face powder in France and sold it in the United States under its trademark "Java." The French company sold its entire United States operation

and trademark to Bourjois. Bourjois then imported the powder from France, repackaged it, and sold it under the "Java" trademark. Katzel bought the powder directly from the French manufacturer and sold it in the orignial French packaging. Bourjois brought suit claiming that Katzel's use of the "Java" trademark violated Bourjois' trademark rights.

In both cases, the Second Circuit held that the trademark on the challenged imports did not copy or simulate the plaintiffs' marks. The court decided that section 27 was not intended to bar imports bearing a trademark if the trademark accurately described the manufacturing source for the goods.

> There is no exclusive right to the use of a name or symbol or emblematic device except to denote the authenticity of the article with which it has become identified by association. The name has no office except to vouch for the genuineness of the

> thing which it distinguishes from all counterfeits; and until it is sought to be used as a false token ... the law of trade-mark cannot be invoked.

A.Boujois & Co. v. Katzel, 273 F. at 541, quoting Apollinaris Co. v. Scherer, 27 F. 18, 20 (2d Cir. 1886).

Legislative History

Section 1526(a) was enacted in response to the Second Circuit decision in Katzel. As Judge Hand noted, it "was intended only to supply the casus omissus, supposed to exist in section 27 of the Act of 1905 ..., because of the decision of the Circuit Court of Appeals in Bourjois v. Katzel. ... Had the Supreme Court reversed that decision [earlier], it would not have been enacted at all." Coty, Inc. v. LeBlum Import, Co., Inc., 292 F. 264, 269 (S.D.N.Y. 1923), aff'd, 293 F. 344 (2d Cir. 1923). This section was added as a floor

amendment to the Tariff Act of 1922, Pub. L. No. 67-318, § 526, 42 Stat. 975 (1922). The legislative history is sparse, consisting of a short floor debate and a brief paragraph in the Conference Report. But the history makes very clear that the purpose of § 1526(a) was to reverse the Second Circuit Katzel decision. The Conference Report notes:

> A recent decision of the circuit court of appeals holds that existing law does not prevent the importation of merchandise bearing the same trade-mark as merchandise of the United States, if the imported merchandise is genuine and if there is not fraud upon the public. The Senate amendment makes such importation unlawful without the consent of the owner of the American trade-mark.

H.R. Rep. No. 1223, 67th Cong., 2d Sess. 158 (1922).

In the floor debates, both proponents and opponents of the section note that the purpose of the section was to

give trademark owners the protection denied them by the Second Circuit. One of the section's sponsors, Senator McCumber noted "the courts have held that we cannot prevent any product being shipped into the United States if it is in violation of a trade-mark where the foreign maker has sold trade-mark and all, patent and everything in the United States." 62 Cong. Rec. 11604 (1922). Another proponent, Senator Sutherland noted that:

> [A]ll that this paragraph does is to prevent fraud, and I believe that the Senate is in favor of protecting the property rights of American citizens who have purchased trade-marks from foreigners, and when these foreigners deliberately violate the property rights of those to whom they have sold these trade-marks by shipping over to this country goods under those identical trade-marks.

Id. at 11603. Senator Moses objected to the section because "[a] case involving

its entire principle has been heard in the circuit court of appeals and is now on its way to the Supreme Court of the United States for final determination."10/ Id.

The floor debate was brief,11/ but far-ranging. A number of examples where the section would apply were discussed. In all of them, the sponsors made clear that the purpose of the amendment was to protect an American trademark owner who had purchased the right to use a trademark in America from an independent foreign company. Senator McCumber illustrated the limited scope intended for the section:

10/ The Katzel case was awaiting decision in the Supreme Court at this point.

11/ The Senate considered the section under a rule limiting debate to ten minutes.

> Suppose not only the patent but the trade-mark, which is "Bayer's Aspirin" with a red cross, is sold to an American concern outright. The patent will defend against any importations so long as the patent lasts; but suppose, now, the patent expires. Then the German firm, notwithstanding that they have sold all rights, including the trade-mark, begin to ship in Bayer's Aspirin with the same kind of a trade-mark that they had before, although the right is owned in the United States. According to the decision that was read by the Senator from West Virginia the American purchasers of these rights are entirely unprotected, and this is to give the opportunity to protect the American purchaser. That is all there is to it ... .

Id. at 11604; see remarks of Senator Sutherland, supra.

At the end of the debate, Senator Lenroot expressed a concern as to whether the section would apply in a case involving facts similar to the facts at issue here. Senator Lenroot wanted to know whether an international corporation could designate an American agent to

register its trademark in the United States and then use that registration to bar unauthorized imports. "I want to inquire whether any American could purchase [the product] abroad and import it without the written consent of [the] agent here in the United States, and if not, why not? There is no fraud, no deceit." Id. at 11605. Senator McCumber clearly did not believe that the section applied to these facts. "[I]f there has been no transfer of trade-mark, that presents an entirely different question.... The mere fact of a foreigner having a trade-mark and registering that trade-mark in the United States, and selling the goods in the United States through an agency, of course, would not be affected by the provision." Id. Apparently Senator Lenroot was unconvinced that the language

proposed was sufficiently narrow to achieve the stated purpose. He restated his example, making clear that the agent registering the trademark was domiciled in the United States, and stated that under the section the product "could not be bought in the markets of the world and sold here without the written consent of the [trademark owner] or [its] agent domiciled here in America." Id.

However, the sponsors of the section apparently did not believe that the section created these rights. And all concerned with the debate believed that the purpose of the section was to reverse the result in Katzel.

Shortly after § 1526(a) became law the Supreme Court reversed the Second Circuit decision in Katzel. In Katzel, the Supreme Court held that the Trademark Act of 1905 outlawed importation of

trademark goods from a foreign manufacturer when the foreign manufacturer had sold the American trademark to the plaintiff. The court held that this followed from the law governing assignment of trademark rights. A. Bourjois & Company, Inc. v. Katzel, 260 U.S. 689, 691 (1923); Trademark Act of 1905, Pub. L. No. 58-84, § 10, 33 Stat. 727 (1905). In a similar case, the Supreme Court held that § 27 of the 1905 Act (§ 1124) required the same result. A. Bourjois & Co., Inc. v. Aldridge, 263 U.S. 675 (1923) answering questions certified at 292 F. 1013 (2d Cir. 1922).

Since Congress passed § 1526(a) to provide rights that the Supreme Court held were already provided by the Trademark Act of 1905, it is not surprising that the Bureau of Customs issued one set of regulations to

implement both statutes. Customs Regulations of 1923, Articles 475-480. These regulations offer little insight into the Bureau of Customs' interpretation of § 1526(a). The relevant language notes that "[t]rade-marks owned by an American citizen ... are entitled to the protection of section 526 ... if the mark has been registered." Id. at Article 476. But the regulations do not describe what does or does not constitute a violation of the section.

Section 1526(a) was reenacted without change in the Tariff Act of 1930. Congress debated the section at length in the context of a proposed amendment which would have drastically altered the section.12/ The debate

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12/ The proposed amendment would have outlawed importation of all goods bearing a trademark registered by an American citizen. The amendment was (Continued)

contains only brief references to the existing scope of § 1526(a), but it seems to reflect the views of the original sponsors. Senator Reed noted:

> At the present time the tariff laws forbid the importation of an article bearing a trade-mark registered in America unless the owner of that trade-mark consents in writing to the importation. Obviously the purpose of that provision is to protect the American owner of the trade-mark against importations of articles which have been stamped with his mark without his consent.

71 Cong. Rec. 3873 (1929).

Administrative Policy and Practice

Customs Regulations issued shortly after the reenactment of § 1526(a) could be read as suggesting that the Bureau of Customs would apply the section broadly.

> Prohibition of entry. -- Entry is prohibited of imported merchandise bearing a genuine trade-mark

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intended to compel American trademark owners to produce their goods domestically. 71 Cong. Rec. 3871 (1929).

> when such trade-mark is recorded with the Treasury Department and registered under the trade-mark law of February 20, 1905, if compliance is had with all provisions of section 526 of the tariff act of 1930, provided the period of protection of such trade-mark has not expired.

Customs Regulations of 1931, Article 513(a).

If the Bureau of Customs did intend a sweeping result, that view was short lived. In 1936, the Bureau of Customs issued a new regulation setting out its interpretation of § 1124 and § 1526(a). T.D. 48537 (1936). Article 518 was amended to read:

> Prohibition of importation. -- (a) Merchandise of foreign or domestic manufacture is prohibited importation when it bears a name or mark which copies or simulates a trade-mark or trade name entitled to the protection of the Trade-Mark Act of 1905 or the Trade-Mark Act of 1920, unless such merchandise is imported by or for the account of, or with the written consent of, the owner of the protected trade-mark or trade name.

(b) A name or mark (including a name or mark which is a genuine trade-mark or trade name in a foreign country) on an article of foreign manufacture identical with a trade-mark or trade name protected by the trade-mark laws of the United States, as well as a name or mark on an article of foreign or domestic manufacture counterfeiting such protected trade-mark or trade name, or so resembling such protected trade-mark or trade name as to be likely to cause confusion or mistake in the minds of the public or to deceive purchasers, shall be deemed for the purpose of these regulations to copy or simulate such protected trade-mark or trade name. However, merchandise manufactured or sold in a foreign country under a trade-mark or trade name, which trade-mark is registered and recorded, or which trade name is recorded under the trade-mark laws of the United States, shall not be deemed for the purpose of these regulations to copy or simulate such United States trade-mark or trade name if such foreign trade-mark or trade name and such United States trade-mark or trade name are owned by this same person, partnership, association, or corporation.

T.D. 48537 (1936) (emphasis added).

The new regulation appears to respond to the concerns raised by Senator Lenroot in the initial debate over § 1526(a). Goods of foreign manufacture bearing a genuine trademark were prohibited imports absent the American trademark owner's consent.13/ But this protection was not extended if the same entity owned the foreign and domestic

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13/ Plaintiff and amicus curiae COPIAT contend that the 1936 regulations do not limit § 1526(a). They note that the limiting language of Article 518 is only directed to imports bearing a trademark that copies or simulates a registerd trademark. They argue that § 1526(a) does not refer to marks that copy or simulate a registered mark so the regulation does not limit § 1526(a). The court rejects this construction of the regulation. Article 518 plainly states that a trademark on an article of foreign manufacture identical with an American trademark "shall be deemed for the purpose of this regulation to copy or simulate" the American trademark. § 1526(a) is specifically targeted at these articles. Therefore, it seems Customs intended Article 518 to implement § 1526(a).

trademarks. Thus, the plaintiff in Katzel that bought the United States trademark rights to a product was protected. Imports of genuine goods bearing the trademark of the foreign company that sold its U.S. rights were outlawed. But the 1936 regulation bars a company from registering a trademark in both the United States and abroad, selling the trademarked goods in both markets, and restricting the importation of the goods it sells abroad.14/

14/ In testimony before Congress, the United States Tariff Commission contended that § 1526(a) could not be so limited, and that the 1936 regulation only applied to enforcement of § 1124. Hearings on H.R. 82 before the Subcommittee of the Senate Committee on Patents, 78 Cong. 2d Sess. 86-87 (1944). This construction is not entitled to substantial weight since the Tariff Commission was not the agency charged with enforcing § 1526(a). As discussed in note 13, supra, the Commission's construction of the 1936 regulation is plainly wrong.

The essential thrust of this regulation has remained unchanged since 1936.

In 1953, the Bureau of Customs expanded its construction of the limits on §1526(a). T.D. 53399 (1953). The new regulation, 19 C.F.R. §11.14, denied trademark owners the right to prohibit imports if the American and foreign trademarks were owned by related companies as defined by §45 of the Lanham Act, Pub. L. No. 79-489, 60 Stat. 443 (1964).15/ This regulation was consistent with Customs' policy in the

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15/ Section 45 of the Lanham Act provides in relevant part:

> The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

application of the prior regulation. Commissioner of Customs Frank Dow explained Customs' policy in a 1951 letter to Senator Paul Douglas.

> As interpreted by the Bureau, section 526 prohibits importation of genuine articles of foreign origin bearing a genuine trade-mark valid in the foreign country which articles were not produced by or with the authority of the United States owner of such mark. ...
>
> However, if the United States trade-mark owner and the owner of the foreign rights to the same mark are one and the same person, articles produced and sold abroad by the foreign owner may be imported by anyone for the reason that the trade-mark owner has himself introduced articles into commerce or authorized such introduction and may not unreasonably restrict the use of the product thereafter. For this purpose a foreign subsidiary or licensee of the United States trade-mark owner is considered to stand in the same shoes as such trade-mark owner.

In 1959, the Bureau of Customs amended 19 C.F.R. §11.14 to eliminate the provision for related companies. T.D. 54932 (1959). There is no evidence that

this amendment reflected a substantive change in Customs' policy, especially since the amendment retained the limitation based on ownership of the foreign and domestic trademark by the same person, partnership, association, or corporation.

The Bureau of Customs reaffirmed its interpretation of §1526(a) in a pair of letters in 1962 and 1963, a series of letters in 1968 and 1969 Treasury decision. Deputy Commissioner Flinn wrote in 1963:

> It has been the Bureau's position for many years that in permitting anyone to import merchandise manufactured or sold by the foreign parent or subsidiary corporation of an American trademark owner is the correct interpretation of section 526 of the tariff act and section 42 of the trademark law.

And in 1962 he wrote:

> It is the Bureau's opinion that a foreign wholly owned subsidiary and its United States parent corporation are the same corporation within the

> meaning of section 11.14(b) of the Customs Regulations. This interpretation has been consistently applied for some years before insertion of the "related companies" provision in the customs regulations and since the "related companies" provision was deleted from the regulations in 1959.

In 1968, Paul K. McCarthy, Assistant Director (Restricted Merchandise) for Customs wrote Peter Gray, the Managing Director for plaintiff's predecessor corporation:

> [I]t is our position that only trademarks, on foreign-made products, which were unauthorized when introduced into foreign commerce are prohibited importation under section 1526, title 19, United States Code. Thus if any goods sold to markets abroad by a foreign branch, subsidiary, or agent should be offered for importation into the United States, those goods would be considered to bear genuine "VIVITAR" trademarks and would be admissible to entry. This position is based on the legislative and judicial history of 19 U.S.C. 1526.

And in 1969, McCarthy wrote again to Mr. Gray analyzing the statutory basis for Customs' interpretation.

> The purpose of the relevant law, section 1526, title 19, United States Code, is to protect American firms which have bought trademarks from foreign firms, against fraudulent competition by the foreign firms. Obviously this purpose is not served when an American trademark owner authorizes foreign use of his genuine trademark, even though it is not intended that merchandise so marked will be imported into the United States.

And T.D. 69-12(2) (1969) provides:

> Trademarks and Trade Names. -- The trademark or trade name on imported foreign-produced merchandise shall not be deemed to copy or simulate a registered trademark or trade name, if the foreign producer is the parent or subsidiary of the American owner or the firms are under a common control. Further, if a foreign producer has been authorized by the American owner to produce and sell goods abroad bearing the recorded trademark or trade name, merchandise

so produced and sold is deemed admissible.

In 1972, the Bureau of Customs revised 19 C.F.R. §11.14. The new regulation, 19 C.F.R. §133.21, embodied the construction of §1526(a) which the Customs Service (previously named Bureau of Customs) had generally maintained, from 1936.16/ The regulation makes clear that Customs will not restrict genuine imports bearing a trademark registered in the United States if the foreign and domestic trademark owners are the same, closely related, or the American trademark owner consented to he application of its trademark to the imported goods. The Justice Department's comments on the regulation provide a detailed analysis of, and further justification for, Customs'

16/ See footnote 3, supra.

interpretation of §1526(a). Justice analyzed the litigated history of the Katzel case and the legislative history of §1526(a) and agreed that Congressional intent and public policy required a narrow reading of §1526(a). Letter from Walker B. Comegys, Acting Assistant Attorney General. Antitrust Division to Myles J. Ambrose, Commissioner of Customs, dated April 19, 1971.17/

17/ Plaintiff contends that the Customs Service's interpretation of §1526(a) as explained by the Justice Department should be given little weight because it has not been consistently maintained. Plaintiff relies heavily on an amicus curiae brief filed by the Antitrust Division and signed by the Chief Counsel of the Customs Service in Bell & Howell: Mamiya Co. v. Masel Supply Co., 719 F.2d 42 (2d Cir. 1983). The brief does not persuasively demonstrate any inconsistency in policy. The focus of the Mamiya case is the right of a trademark owner to enjoin the importation of goods bearing infringing trademarks under §1124. The brief discusses at length the

(Continued)

Although Customs' stated policy seems clear, there is some evidence that the Bureau of Customs did not always apply its construction of §1526(a) uniformly. In the hearings on the Lanham Act, the Justice Department objected to New Jersey Zinc Company's use of its trademark to restrict imports.

> [Section 1526] obviously was designed to prevent the importation

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policies involved in trademark infringement and the relevance of antitrust law. The brief mentions §1526(a) only in passing and suggests that the legislative history of the various trademark laws does not conclusively require the court to limit protection of the trademark laws when an American trademark owner is related to a foreign manufacturer of the trademarked goods. Because the Mamiya brief focuses on trademark infringement and antitrust issues and not on §1526(a), and because the brief does not attempt to comprehensively analyze the policy or legislative history behind §1526(a), the court does not consider the brief directly inconsistent with Customs' long maintained position on §1526(a).

> into the United States of foreign merchandise bearing counterfeit trade-marks, etc. It was the ingenuity of the New Jersey Zinc Co.'s lawyers to pervert this provision [sic] of the Tariff Act to serve their own purposes, namely, to exclude absolutely from the United States zinc produced abroad under licenses granted by New Jersey Zinc Co. under its patents and bearing New Jersey's trade-mark as required by New Jersey.

Hearings on H.R. 82 before a Subcommittee of the Senate Committee on Patents, 78th Cong. 2d Sess. 68 (1944). Also, the briefs filed by the Justice Department in an antitrust action indicated that Customs was excluding perfumes bearing American trademarks even though the foreign trademark for the perfumes was owned by companies related to the American trademark owners. United States v. Guerlain, Inc., 155 F.Supp. 77, 79-80 (S.D.N.Y. 1957), vacated and remanded, 358 U.S. 915 (1958), dismissed, 172 F. Supp. 107 (S.D.N.Y. 1958).18/

The Bureau of Customs' exclusion of goods bearing the Guerlain and the New Jersey Zinc trademarks appears contrary to Customs' policy was contained in their regulations and the letter of Commissioner Dow. It is especially difficult to see how Customs could

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18/ Guerlain is one of several antitrust actions involving a group of closely related French perfume manufacturers and their American distributors. The Justice Department alleged that the defendants monopolized the importation and use of their product. The American distributors prevented any competitors from importing the French manufacturers' trademarked products by registering the identical trademarks in the United States and demanding that the Bureau of Customs exclude any imports by competitors. Apparently the Bureau of Customs excluded competing imports despite the close relationship between the foreign manufacturers and the American distributors. Brief of the United States on Motion to Vacate Judgments and to Remand to the District Court for Consideration of Motion to Dismiss Filed by United States, Guerlain, Inc. v. United States, 358 U.S. 915 (1958).

exclude the goods in Guerlain if Customs knew the foreign and the domestic trademark owners were commonly controlled. This would have been directly contrary to the newly promulgated Customs regulations of 1953.

John F. Atwood, a Customs Law Specialist, provides a plausible explanation for this apparent inconsistency in practice in his comprehensive review of Customs' interpretation of §1124 and §1526. In discussing the Guerlain case, he concludes that the Bureau of Customs "had always denied complete exclusionary protection to an American trademark registrant when it knew the importer to be a subsidiary or parent of the foreign user of the trademark. Prior to 1953, however, the Customs Regulations were not set up to specifically elicit this kind

of information." Atwood, Import Restrictions on Trademarked Merchandise - The Role of the United States Bureau of Customs 59 Trademark Rep. 301, 307 (1969). "[S]ome Customs trademark recordants who had recorded before 1953 undoubtably continued to be permitted to exclude merchandise from their foreign supplier, since Customs did not know of the relationship between the two entities." Id. at 310. This interpretation is supported by the Customs Regulations governing recording of trademarks. Customs Regulations of 1936, Article 519.

Therefore, the court concludes that, since 1936, Customs, in essence, has construed §1526(a) so as to deny American trademark owners the right to exclude goods manufactured abroad bearing their trademarks, when control of the foreign

trademark is in the hands of the American trademark owner. Customs, in its own writings, and in the writings it gathered in the regulation promulgation process, has provided persuasive exegesis of the legal justification for this construction. See letters of Commissioner Dow, Mr. McCarthy, and Mr. Comegys. Thus, this construction is entitled to substantial weight. Securities and Exchange Commissioner v. Sloan, 436 U.S. 103, 117-118 (1978). Customs' long-standing construction has been consistently applied since at least 1962, and, as discussed above, probably reflects Customs general practice under its regulations since 1936.

Congressional Ratification

In 1976 and 1978, Congress indicated its acceptance of Customs' interpretation of §1526(a) by failing to amend §1526(a)

when it enacted legislation closely related to this provision. In 1976, a House Report, prepared as background for the proposed Customs Modernization Act of 1975, carefully examined the administrative practice under §1526(a). The report noted that §1526:

> has been consistently interpreted by the United States Customs Service for the past 20 years as excluding from protection foreign-produced merchandise bearing a genuine trademark created, owned, and registered by a citizen of the United States if the foreign producer has been authorized by the American trademark owner to produce and sell abroad goods bearing the recorded trade-mark.

H.R. Rep. 138, 94th Cong., 2d Sess. 54 (1976). In 1978, another House Report repeated the analysis of the 1976 report. H.R. Rep. 621, 95th Cong., 1st Sess. 27 (1978). Both reports were prepared in the context of proposals for substantial amendments to §1526.

In 1978 Congress adopted two major amendments to §1526. The first permitted travelers to freely import trademarked goods for personal use. Pub. L. No. 95-410, 92 Stat. 903 (1978), (19 U.S.C. §1526(d)). The second specified the procedure to be followed by the Customs Service when it discovers imported goods bearing a counterfeit mark. 92 Stat. 903-904, 19 U.S.C. §1526(e). Congress examined Customs' administrative practice towards imports bearing both genuine and counterfeit trademarks. After this examination, Congress decided to define strict statutory standards for imports bearing counterfeit marks while not altering Customs' administrative practices concerning imports bearing genuine marks. This failure to alter §1526(a) is sufficient indication of Congressional acquiescence in Customs'

administrative practice. Haig v. Agee, 453 U.S. 280, 301 (1981).19/

Validity of Current Agency Interpretation

This case presents a conflict between the expansive literal language of §1526(a) and the much narrower construction contained in the legislative history and administrative practice. The

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19/ Plaintiff contends that Congressional approval should not be inferred since neither the Senate Report nor the Conference Report discuss Customs' administrative practice concerning §1526(a). This contention is not persuasive. The Conference Report notes that the Conference Committee considered whether the new §1526(e) would apply to all goods regulated by §1526 or only counterfeit goods. Section 1124 regulates imports of genuine goods, counterfeit goods, and goods bearing marks deceptively similar to registered trademarks. The Senate accepted the House position that the section should only apply to counterfeit goods. It is reasonable to assume that the conference accepted Customs' policy concerning genuine goods. See H.R. Rep. 1517, 95th Cong., 2d Sess. 17 (1978).

court will not determine the scope of §1526(a) by mechanically applying the language of the statute. Nor will it blindly defer to administrative practice or the legislative history. The court must determine the scope Congress intended for §1526(a) from all these sources.20/

20/ Plaintiff argues at length that the court should not consider the legislative and administrative history of §1526(a) because the plain language of the statute would allow plaintiff to prevail. The statutory language is, of course, fundamental to understanding Congressional intent. But even though "courts are ordinarily dutybound to interpret statutes in accordance with their clear meaning, statutory clarity does not bar a court's consideration of Congressional intent differed from that manifested by the language used.'" British Steel Corporation v. United States, 6 CIT ____, 573 F.Supp. 1145, 1148, quoting Zenith Radio Corporation v. United States, 1 CIT 180, 184, 509 F.Supp. 1282 (1981). See also discussion supra at page 11.

The court will give deference to a longstanding agency construction and practice under a statute it is charged with administering. Commonwealth Oil Refining Co. v. United States, 60 CCPA 162, 173-177, 480 F.2d 1352 (1973). The agency construction will be upheld if it is a reasonable interpretation of the statute. The court "'need not find that [the agency's] construction is the only reasonable one, or even that it is the result [the court] would have reached had the question arisen in the first instance in judicial proceedings.'" Zenith Radio Corporation v. United States, 437 U.S. 443, 450 (1978), quoting Unemployment Compensation Commission v. Aragon, 329 U.S. 143, 153 (1946).

Customs' construction of §1526(a) is entitled to even greater deference here because, despite substantial controversy,

Customs has consistently maintained it and Congress accepted it when the interpretation was brought to its attention while it was amending §1526. Zemel v. Rusk, 381 U.S. 1, 11-12 (1965); Norwegian Nitrogen Products Co. v. United States, 288 U.S. 294, 313 (1933).

Therefore, the question is whether Customs' interpretation is "sufficiently reasonable" to be accepted by this court in light of the normal aids to statutory construction. Zenith Radio, 437 U.S. at 450; Train v. Natural Resources Defense Council, 421 U.S. 60, 75 (1975). The court is convinced that Customs' interpretation is a reasonable construction reflecting Congress' intent, and in fact is a necessary construction of the statute to avoid results Congress clearly did not intend.

To determine the meaning Congress intended for a statute, the court must look to "the evil it was designed to remedy . . ., the situation as it existed, and as it was pressed upon the attention of Congress." Church of the Holy Trinity, 143 U.S. at 463; see also Federal Deposit Insurance Corporation v. Tremaine, 133 F.2d 827, 830 (2d Cir. 1943). This rule has special force in this case because the sponsors of §1526(a) repeatedly stated that the purpose of the section was only to reverse the Katzel decision. As shown by the legislative history, Congress adopted §1526(a) to protect an American trademark owner, like the one in Katzel, who had purchased the trademark of an independent foreign company. Congress decided it was unfair to permit unauthorized imports of goods bearing the foreign company's

trademark. These imports violated the rights the American trademark owner purchased from the foreign company in an arms-length transaction. This is the problem Congress was confronted with by the Katzel decision, and the sole purpose of §1526(a) was to resolve this problem.

Moreover, construing §1526(a) to apply when a foreign source of imports is related to, or the agent of, the American trademark owner could lead to results that Congress could not reasonably have intended when it enacted the section. Plaintiff's reading of §1526(a) would give a foreign manufacturer of trademarked goods a competitive advantage over an American manufacturer when both were engaged in world-wide marketing of their product. Since §1526(a) only applies to goods manufactured abroad, the American manufacturer would not be able to employ

§1526(a) to restrict unauthorized imports of its goods sold by its overseas distributors.21/ See §1526(a), footnote 2 supra. But the foreign manufacturer could form an American subsidiary corporation, transfer the American trademark rights to that corporation, and then have the subsidiary use §1526(a) to restrict any unauthorized imports of the foreign manufacturer's goods. The only way an American trademark owner could overcome this marketing advantage is by moving its manufacturing operations abroad so it too could restrict access to the United States market.

The Tariff Act of 1922 is "An Act To ... encourage the industries of the

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21/ Although this scenario does not appear to raise problems under current market conditions, it is nonetheless a possibility under plaintiff's construction.

United States." Tariff Act of 1922, Pub. L. No. 67-318, Preamble, 46 Stat. 590 (1922). Congress was, in large part, motivated by a desire to protect American industry from the competitive advantages it saw available to foreign industry. S. Rep. No. 595, 67th Cong., 2d Sess., 1-3 (1922), H.R. Rep. No. 248, 67th Cong., 1st Sess., 1-2 (1921). It is difficult to believe that a Congress so concerned with protecting American industry would give foreign industry an important competitive advantage that could only be remedied by American industries fleeing abroad. This result is particularly unreasonable given that §1526(a) was intended to protect "the property rights of American citizens who have purchased trade-marks from foreigners . . . when these foreigners deliberately violate these property

rights." 62 Cong. Rec. 11603. No member of Congress involved in the debate of §1526(a), which was enacted as part of the Tariff Act of 1922, believed that the purpose of §1526(a) was to encourage the foreign manufacture of trademarked goods. Plaintiff's interpretation of §1526(a) would permit an unintended construction of the literal language of §1526(a) to give a competitive advantage to foreign manufacturers contrary to the basic purposes of the Tariff Act of 1922 and the expressed Congressional intent in enacting §1526(a).

Plaintiff contends that the Customs Service's interpretation of §1526(a) is unreasonable because it permits gray market importers to unfairly exploit plaintiff's good will.22/ According to

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22/ The United States District Court in Osawa & Co. v. B. & H. Photo, 83 (Continued)

this argument, plaintiff markets goods bearing its trademark under a variety of different circumstances worldwide. In some markets, plaintiff's goods are marketed with a minimum of supporting expenses. Plaintiff contends that the low price for its goods in these markets reflects minimal expense on advertising, merchandising, customer services and warranties. In the United States, plaintiff incurs substantial expenses in support of its trademarks. It advertises the quality of its mark extensively. It maintains a wide network of authorized distributors to insure quality and widespread availability. It offers a variety of customer services. And it offers an extensive warranty program.

Civ. 6874 (S.D.N.Y May 24, 1984) accepted this theory when it expressed strong doubt as to the validity of Customs' current policy under §1526(a).

Plaintiff contends that its higher prices in the United States reflect the added expenses incurred in building its reputation. Plaintiff contends that sellers of gray market goods who purchase goods abroad, which are not priced to reflect the reputation plaintiff built in the United States, "free ride" on plaintiff's reputation here.23/

There are several answers to this argument. Intervenor contends that it does not free ride on plaintiff's reputation because it also incurs substantial advertising, marketing, and warranty expenses on behalf of goods bearing plaintiff's trade-mark. Also,

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23/ It should be noted that this alleged free riding only exploits plaintiff's added costs in the United States. When plaintiff sells its goods abroad through its overseas distributors it receives full value for the cost of making and distributing the goods abroad.

plaintiff could protect itself against free riding by using marketing and labeling practices to make clear that goods plaintiff sells abroad are not supported by the same services as those plaintiff sells in the United States.

But the fundamental answer to this argument is that it poses a problem that §1526(a) was not intended to deal with. Congress enacted § 1526(a) as a special remedy to protect American businesses that purchase foreign trademarks from imports that violate the rights the American businesses purchase. On the other hand, free riding can be a form of unfair competition affecting any trademark owner. Free riding is regulated under the Lanham Act, 15 U.S.C. §1114, and by non-statutory law. See, e.g., Professional Golfers Association v. Bankers Life & Casualty Co., 514 F.2d

665, 670-671 (5th Cir. 1975). Plaintiff would apparently have the court infer that Congress intended §1526(a) as an additional remedy for violations of the law of unfair competition generally. There is no evidence that Congress intended such a sweeping scope to §1526(a), and the court declines to so interpret it.

If plaintiff is suffering from unfair competition generally, relief might be available under the Lanham Act or other laws.24/ But plaintiff has brought his claim under § 1526(a) and has not attempted to prove the elements of a claim for unfair competition. Plaintiff

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24/ Whether this court has jurisdiction to grant relief regarding unfairly competing imports is an open question upon which this court expresses no opinion. The court does not wish to imply by this discussion that plaintiff has an unfair competition claim.

seeks an unqualified right to demand exclusion of unauthorized imports bearing its trademark. Section 1526(a) does not give plaintiff this right.

Finally, the court is reluctant to disturb the Customs Service's long-standing construction of § 1526(a) because of the substantial commercial reliance on Customs' interpretation. Customs has uniformly applied this interpretation since at least 1962, and business has been built based on this interpretation. Reliance, of course, would not justify Customs' maintaining a position clearly contrary to law, nor is it sufficient to persuade the court not to entertain plaintiff's suit on the grounds of laches. But as discussed above, Customs' construction of § 1526(a) is reasonable and consistent with Congressional intent. Congress has

acquiesced in this interpretation despite continuing public controversy. Congress is best suited to determine whether the current balance in trademark rights in international commerce is inappropriate.

THEREFORE, IT IS ORDERED: Plaintiff's motion for summary judgment is denied. Defendants' motion for summary judgment is granted.

/s/
Jane A. Restani
JUDGE

Dated: New York, New York
This 20th day of August, 1984.

**UNITED STATES COURT
OF INTERNATIONAL TRADE
JANE A RESTANI, JUDGE**

VIVITAR CORPORATION,	:	
Plaintiff,	:	
v.	:	
THE UNITED STATES, ET AL.,	:	Court No. 84-1-00067
Defendants,	:	
and	:	
47TH STREET PHOTO, INC.,	:	
Defendant-Intervenor.	:	

This case having been submitted for decision and the Court, after deliberation, having rendered a decision therein; now, in conformity with that decision,

IT IS HEREBY ORDERED: that plaintiff's motion for summary judgment is hereby denied; and it is further

ORDERED: that defendants' cross-motion for summary judgment is granted;

and that this action be and the same is dismissed.

/s/
Jane A. Restani
Judge

Dated: New York, New York
August 20, 1984

APPENDIX D

19 U.S.C. § 1526

§ 1526. Merchandise bearing American trade-mark

(a) Importation prohibited

Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of section 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15,

unless written consent of the owner of such trademark is produced at the time of making entry.

(b) Seizure and forfeiture

Any such merchandise imported into the United States in violation of the provisions of this section shall be subject to seizure and forfeiture for violation of the customs laws.

(c) Injunction and damages

Any person dealing in any such merchandise may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trademark and shall be liable for the same damages and profits provided for wrongful use of a trade-mark, under the

provisions of sections 81 to 109 of title 15.

(d) Exemptions: publication in Federal Register; forfeitures; rules and regulations

(1) The trademark provisions of this section and section 1124 of title 15, do not apply to the importation of articles accompanying any person arriving in the United States when such articles are for his personal use and not for sale if (A) such articles are within the limits of types and quantities determined by the Secretary pursuant to paragraph (2) of this subsection, and (B) such person has not been granted an exemption under this subsection within thirty days immediately preceding his arrival.

(2) The Secretary shall determine and publish in the Federal Register lists of the types of articles and the quantities of each which shall be entitled to the exemption provided by this subsection. In determining such quantities of particular types of trade-marked articles, the Secretary shall give such consideration as he deems necessary to the numbers of such articles usually purchased at retail for personal use.

(3) If any article which has been exempted from the restrictions on importation of the trade-mark laws under this subsection is sold within one year after the date of importation, such article, or its value (to be recovered from the importer), is subject to forfeiture. A sale pursuant to a judicial order or in liquidation of the estate of

a decedent is not subject to the provisions of this paragraph.

(4) The Secretary may prescribe such rules and regulations as may be necessary to carry out the provisions of this subsection.

(e) Merchandise bearing counterfeit mark; seizure and forfeiture; disposition of seized goods

Any such merchandise bearing a counterfeit mark (within the meaning of section 1127 of title 15) imported into the United States in violation of the provisions of section 1124 of title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary shall notify

the owner of the trademark, and shall, after forfeiture, obliterate the trademark where feasible and dispose of the goods seized --

(1) by delivery to such Federal, State, and local government agencies as in the opinion of the Secretary have a need for such merchandise,

(2) by gift to such eleemosynary institutions as in the opinion of the Secretary have a need for such merchandise,

(3) more than 1 year after the date of forfeiture, by sale by appropriate customs officers at public auction under such regulations as the Secretary prescribes, except that before making any such sale the Secretary shall determine that no Federal, State, or local government agency or eleemosynary institutions

has established a need for such merchandise under paragraph (1) or (2), or

(4) if the merchandise is unsafe or a hazard to health, by destruction.

APPENDIX E

19 C.F.R. 133.21

Title 19 - Customs Duties

Subpart C - Importations Bearing Recorded Trademarks or Trade Names

§ 133.21 Restrictions on importation of articles bearing recorded trademarks and trade names.

(a) Copying or simulating marks or names. Articles of foreign or domestic manufacture bearing a mark or name copying or simulating a recorded trademark or trade name shall be denied entry and are subject to forfeiture as prohibited importations. A "copying or simulating" mark or name is an actual counterfeit of the recorded mark or name or is one which so resembles it as to be likely to cause the public to associate

the copying or simulating mark with the recorded mark or name.

(b) Identical trademark. Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture as prohibited importations.

(c) Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

(1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control (see §§ 133.2(d) and 133.12(d));

(3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner;

(4) The objectionable mark is removed or obliterated prior to importation in such a manner as to be illegible and incapable of being reconstituted, for example by:

(i) Grinding off imprinted trademarks whenever they appear;

(ii) Removing and disposing of plates bearing a trademark or trade name;

(5) The merchandise is imported by the recordant of the trademark or trade name or his designate;

(6) The recordant gives written consent to an importation of articles otherwise subject to the restrictions set forth in paragraphs (a)

and (b) of this section, and such consent is furnished to appropriate Customs officials; or

(7) The articles of foreign manufacture bear a recorded trademark and the personal exemption is claimed and allowed under § 148.55 of this chapter.

(d) Exceptions for articles bearing counterfeit trademarks. The provisions of paragraph (c)(4) of this section are not applicable to articles bearing counterfeit trademarks at the time of importation (see § 133.24).

(Sec. 42, 60 Stat. 440, sec. 526, 46 Stat. 741; 15 U.S.C. 1124, 19 U.S.C. 1526)

[T.D. 72-266, 37 FR 20678, Oct. 3, 1972, as amended by T.D. 79-159, 44 FR 319678, June 4, 1979]

Supreme Court, U.S.
FILED
DEC 9 1985
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(2)

No. 85-411

In the Supreme Court of the United States

OCTOBER TERM, 1985

VIVITAR CORPORATION, PETITIONER

v.

UNITED STATES OF AMERICA, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE FEDERAL RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly upheld the validity of 19 C.F.R. 133.21.

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BRIEF FOR THE FEDERAL RESPONDENTS IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-100a) is reported at 761 F.2d 1552. The opinion of the Court of International Trade (Pet. App. 103a-170a) is reported at 593 F. Supp. 420.

JURISDICTION

The judgment of the court of appeals was issued on May 6, 1985. A petition for rehearing was denied on June 12, 1985 (Pet. App. 101a-102a). The petition for a writ of certiorari was filed on September 10, 1985. This Court's jurisdiction is invoked under 28 U.S.C. 1254(1).

STATEMENT

Petitioner, a California corporation, owns the "VIVITAR" trademark for certain types of photographic equipment (Pet. App. 11a-12a). Petitioner's products are manufactured according to its specifications by foreign manufacturers, which affix the VIVITAR trademark to the goods at petitioner's direction (*id.* at 12a-13a). Petitioner then consents to the importation of the finished products into the United States, and markets the products domestically through authorized dealers (*id.* at 14a). These products, which carry the authorized VIVITAR trademark, are marketed overseas by petitioner's wholly-owned subsidiaries; these subsidiaries evidently are not authorized to sell the goods in the United States (*id.* at 107a, 117a-118a).

1. Goods bearing the VIVITAR trademark also are brought into the American market by independent importers. Because there is a substantial price differential between VIVITAR products sold domestically by petitioner's authorized dealers and the same products sold overseas by petitioner's foreign subsidiaries, these importers are able to purchase the products overseas,[1] bring them into the United States, and sell them profitably through discount outlets (Pet. App. 14a, 107a-108a). Products brought into the United States in this manner—which generally are termed "grey market" goods or "parallel importations" (see *id.* at 5a)—bear a genuine VIVITAR trademark (see *id.* at 6a), although petitioner

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[1] The record does not reflect whether the VIVITAR products are purchased overseas directly from petitioner's subsidiaries (see Pet. App. 14a).

has not consented to their importation (see *id.* at 108a).

2. In response to the domestic distribution of these grey market goods, petitioner brought suit in the United States Court of International Trade, seeking to require the Customs Service (Customs) to exclude products bearing the VIVITAR trademark unless petitioner specifically consents to their importation (see Pet. App. 7a). Petitioner relied on 19 U.S.C. 1526(a), which provides in relevant part that "it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise * * * bears a trademark owned by a * * * corporation * * * organized within[] the United States * * * unless written consent of the owner of such trademark is produced at the time of making entry."[2] Petitioner thus sought to enjoin, as inconsistent with the statute, the enforcement of a Customs regulation (19 C.F.R. 133.21) that subjects foreign-made goods to seizure and forfeiture when those goods bear a trademark owned by a United States corporation—but that exempts imported goods from this restriction when the foreign and United States trademarks are owned by the same entity (19 C.F.R. 133.21(c)(1)), when the trademark owners are parent and subsidiary companies or are subject to common ownership (19 C.F.R. 133.21(c)(2)), or when the trademark borne by the article in question was applied with the authorization of the United States trademark owner

[2] Section 1526(b) provides that products imported into the United States in violation of Section 1526(a) "shall be subject to seizure and forfeiture." In addition, Section 1526(c) provides the domestic trademark holder with an action for damages and profits against the importer.

(19 C.F.R. 133.21(c)(3)). Pursuant to this regulation, Customs does not prohibit the importation of grey market goods.

The Court of International Trade upheld the validity of the regulation.[3] The court acknowledged that the literal language of Section 1526 could be read to support petitioner's claim that all foreign-made goods bearing a United States trademark must be excluded absent the trademark owner's consent (Pet. App. 122a). But an extensive review of the legislative background and history (see *id.* at 124a-136a) convinced the court that Section 1526 was enacted as a response to the court of appeals' decision in *A. Bourjois & Co.* v. *Katzel*, 275 F. 539 (2d Cir. 1921), rev'd, 260 U.S. 689 (1923). That decision had denied a United States company the right to exclude trademarked foreign goods even though the comany had purchased exclusive domestic rights to use of the trademark from the foreign manufacturer of the goods; the Court of International Trade accordingly held that the statute was intended only to "protect[] the property rights of American citizens who have purchased trade-marks from foreigners * * * when these foreigners deliberately violate the property rights of those to whom they have sold these trade-marks by shipping over to this country goods under those identical trademarks.'" Pet. App. 129a, quoting 62 Cong. Rec. 11603 (1922) (remarks of Sen. Sutherland). See Pet. App. 160a-161a.

The Court of International Trade found this reading of Section 1526 supported by longstanding ad-

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[3] The court first rejected Customs' argument that it lacked jurisdiction to hear the case. 585 F. Supp. 1419 (1984).

ministrative interpretation. From 1936 to the present, the court explained, Customs has "den[ied] American trademark owners the right to exclude goods manufactured abroad bearing their trademarks, when control of the foreign trademark is in the hands of the American trademark owner" (Pet. App. 152a-153a; see *id.* at 136a-153a). The court also noted that Congress, although plainly aware of Customs' regulatory approach (see *id.* at 153a-154a), has declined to disturb that approach, while it has modified Section 1526 in other ways (Pet. App. 155a-156a; see *id.* at 158a-159a). And the court explained that industry has long relied on Customs' regulatory approach (*id.* at 169a-170). It therefore held that "Customs' interpretation is a reasonable construction reflecting Congress' intent, and in fact is a necessary construction of the statute to avoid results Congress clearly did not intend" (*id.* at 159a).

3. The court of appeals affirmed, although on different grounds.[4] The court reasoned that an intent to reverse the court of appeals' *Katzel* decision was not the sole motivation for the enactment of Section 1526 (Pet. App. 39a), explaining that the congres-

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[4] The court of appeals also held that the Court of International Trade had exclusive jurisdiction to resolve petitioner's action for an injunction under 28 U.S.C. 1581(i)(3) and (4), which grant the latter court jurisdiction over suits against the United States relating to "embargoes or other quantitative restrictions on the importation of merchandise." Pet. App. 19a-35a. This aspect of the holding below is not presented by the petition for a writ of certiorari, although the Court will be required to address it if certiorari is granted. The court of appeals also held that "[t]he determinations of the respective rights between private parties under 19 U.S.C. § 1526(c) * * * fall within the jurisdiction of the federal district courts" (Pet. App. 32a).

sional debate was "too unfocused and misinformed to serve as a definitive basis for interpretation of § 1526" (Pet. App. 50a). The court also found that Customs' interpretation of Section 1526 has not been consistent (Pet. App. 62a-75a), because "[t]he [Customs] regulations, while imposing the 'same entity' limitation since 1936, have not been consistent in respect of what other limitations should be recognized nor has consistency been unequivocally shown in enforcement" (*id.* at 75a). And the court found that Congress has not ratified Customs' current approach, noting that Congress has not affirmatively endorsed 19 C.F.R. 133.21 (Pet. App. 76a-77a).

Despite these conclusions, however, the court of appeals upheld the challenged regulation. As the court read Section 1526(a), the statute does not require Customs "to exclude all grey market goods *sua sponte*" (Pet. App. 83a). Instead, the court acknowledged that the statute may have some implied limitations (see *id.* at 85a). And the court noted that trademark owners may pursue a private remedy against the improper importation of trademarked goods pursuant to Section 1526(c) (Pet. App. 86a-87a). The court therefore held that the challenged regulation does "no more than define Customs' role in initiating administrative enforcement of the statute" (*id.* at 83a). Additional protection would be available to petitioner by "pursu[ing] a determination of its alleged rights against persons engaging in parallel importation of VIVITAR photographic equipment in federal district court" (*id.* at 89a).

Judge Davis concurred in the result (Pet. App. 97a-99a). He found that Customs' administration of Section 1526 has been "substantially consistent" since 1936 (Pet. App. 98a), and he reasoned that the

challenged regulation is valid because "Customs could properly, for its own administrative and enforcement purposes, provide that it would exclude less than all the trademarked goods that *might* turn out to be covered by § 1526" (*ibid.* (emphasis in original)). But Judge Davis took the court to task for expressing "lengthy dicta" on the question whether Section 1526 does in fact reach farther than does 19 C.F.R. 133.21 in suits between private parties. He noted that the Court of International Trade never will deal with such private party suits, and that the Federal Circuit may do so only when the trademark claims are joined with an appealed patent claim (Pet. App. 99a). Judge Davis therefore labeled the court of appeals' remarks on the reach of Section 1526 "needless and gratuitous" comments that "will not bind any court" (Pet. App. 99a).

ARGUMENT

In our view, the court of appeals, like the Court of International Trade, should have grounded its holding on Customs' reading of 19 U.S.C. 1526 and on the agency's longstanding interpretation of that statute. Because the court of appeals correctly decided to uphold the validity of 19 C.F.R. 133.21, however, further review of its decision is unnecessary. Indeed, review of the scope of Section 1526 should await further litigation in the circuits and the development of a clearer factual record.

1. a. In 1921, the Second Circuit issued its decision in *A. Bourjois & Co.* v. *Katzel*, 275 F. 539, rev'd, 260 U.S. 689 (1923). That case involved a United States company (Bourjois) that had purchased exclusive domestic rights to use of a trademark from a French company. Despite this transaction, the French producer sold its trademarked product to a competitor of Bourjois, who in turn marketed the

product in the United States in its original French packaging. Bourjois brought suit under Section 27 of the Trademark Act of 1905, ch. 592, 33 Stat. 730, claiming that these sales violated its trademark rights. The court of appeals rejected this claim, holding that importation of goods bearing a genuine trademark cannot violate the trademark laws. 275 F. at 541.

The predecessor to 19 U.S.C. 1526 (Tariff Act of 1922, ch. 356, § 526, 42 Stat. 975) was enacted in 1922 for the express purpose of overturning the Second Circuit's *Katzel* decision.[5] See H.R. Rep. 1223, 67th Cong., 2d Sess. 158 (1922). The statute "was intended only to supply the casus omissus, supposed to exist in section 27 of the Act of 1905 * * * because of the decision of the Circuit Court of Appeals in *Bourjois* v. *Katzel.*" *Coty, Inc.* v. *Le Blume Import Co.*, 292 F. 264, 269 (S.D.N.Y.) (Hand, J.), aff'd 293 F. 344 (2d Cir. 1923).

Thus, as the Court of International Trade explained, "the sponsors [of the statute] made clear that the purpose of the amendment was to protect an American trademark owner who had purchased the right to use a trademark in America from an independent foreign company" (Pet. App. 130a). Senator McCumber's remarks are illustrative: he noted that under *Katzel* "the American purchasers of these [trademark] rights are entirely unprotected," and that the statute would address this problem by "protect[ing] the American purchaser." 62 Cong. Rec.

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[5] The statute was enacted prior to this Court's 1923 reversal of the court of appeals' *Katzel* ruling. 260 U.S. at 689. This Court's decision relied on the law governing assignment of trademark rights and made no mention of the recently-enacted statute. See *id.* at 691.

11604 (1922). Senator Sutherland agreed that the statute's "only aim is to prevent, a palpable fraud" by "protect[ing only] a property right which has been sold." *Id.* at 11603. While the court below believed otherwise (ee Pet. App. 50a), an examination of the legislative debate indicates that every comment in favor of the legislation expressed a similar view of its scope.[6] See 62 Cong. Rec. 11604 (1922) (remarks of Sen. Sutherland); *ibid.* (remarks of Sen. Pomerene); *ibid.* (remarks of Sen. McCumber); *id.* at 11605 (colloquy between Sen. Lenroot and Sen. McCumber).[7]

b. As Judge Davis recognized (Pet. App. 98a), Customs consistently has interpreted Section 1526 as reaching only the circumstances presented in *Katzel.* Thus, regulations issued in 1936 provided that the holder of a domestic trademark generally could challenge the importation of goods bearing that trade-

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[6] The sponsors also made clear that they did not intend the statute to permit a foreign producer to "monopolize" trade in a trademarked good by having an agent obtain trademark rights in the United States, who would then refuse to consent to the importation of trademarked goods obtained overseas from its principal. See 62 Cong. Rec. 11603 (1922) (remarks of Sen. Sutherland); *id.* at 11605 (remarks of Sen. McCumber). This is precisely the reading of the statute that petitioner is contending for, however. See Pet. App. 161a-164a.

[7] Section 526 of the Tariff Act of 1922 was reenacted without change as Section 526 of the Tariff Act of 1930, ch. 497, 46 Stat. 741. At the time, Congress reaffirmed its understanding of the scope of the provision. See 71 Cong. Rec. 3873 (1929) (remarks of Sen. Reed) ("the purpose of [Section 526] is to protect the American owner of the trade-mark against importations of articles which have been stamped with his mark without his consent").

mark—but that it could not do so when the United States and foreign trademark were "owned by the same person, partnership, association, or corporation." T.D. 48,537 (reprinted at C.A. App. 198-199). See T.D. 51,779 (1947). The regulation was amended in 1953 to make clear that this exception applied when the United States and foreign trademarks were owned by "related companies." T.D. 53,399 (reprinted at C.A. App. 210).[8] While this express provision for related companies was eliminated in 1959 (T.D. 54,932) (reprinted at C.A. App. 215), that change evidently did not reflect any modification in Customs policy; it remained Customs' clear position that importation was permissible when the domestic and foreign trademarks were owned by parent and subsidiary corporations. See Letter from D.H. Flinn to Walter A. Slowinski (July 2, 1962) (C.A. App. 150);[9] Letter from D.H. Flinn to Selig J. Levitan (Mar. 15, 1963) (C.A. App. 151); Letter from Paul K. McCarthy to Peter Gray (Dec. 11, 1968) (C.A. App. 124); T.D. 69-12(2) (1969). This position is

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[8] This amendment simply made explicit what already was Customs' policy. See Letter from Frank Dow to Senator Paul Douglas (Mar. 23, 1951) (C.A. App. 145-149) (exception applies when the foreign company is a "subsidiary or licensee of the United States trade-mark owner").

[9] This letter stated "the Bureau's opinion that a foreign wholly owned subsidiary and its United States parent corporation are the same corporation within the meaning of * * * the Customs Regulations. This interpretation has been consistently applied for some years before insertion of the 'related companies' provision in the customs regulations and since the 'related companies' provision was deleted from the regulations in 1959." C.A. App. 150.

now expressed in 19 C.F.R. 133.21. See Pet. App. 146a-147a.[10]

Customs' longstanding interpretation has been recognized several times by Congress. In 1977, for example, Congress noted that Section 1526 "has been consistently interpreted by the United States Customs Service * * * as excluding from protection foreign-produced merchandise bearing a genuine trademark created, owned, and registered by a citizen of the United States if the foreign producer has been authorized by the American trademark owner to produce and sell abroad goods bearing the recorded trademark." H.R. Rep. 95-621, 95th Cong., 1st Sess. 27 (1977). At that time Congress made two significant changes in Section 1526 (see Pub. L. No. 95-410, § 211, 92 Stat. 903-904, adding 19 U.S.C. 1526(d) and (e))—but it did not change Section 1526(a) or otherwise act to disapprove Customs' approach.

In these circumstances, petitioner's challenge to 19 C.F.R. 133.21 cannot prevail. Customs' longstanding, consistent interpretation of Section 1526 is of course entitled to substantial deference. See, *e.g.*, *Chevron U.S.A. Inc.* v. *Natural Resources Defense Council, Inc.*, No. 82-1005 (June 25, 1984), slip op. 5; *Zenith Radio Corp.* v. *United States*, 437 U.S. 443, 450 (1978). Although Congress is aware of Customs' approach and has amended the statute in other respects, it has taken no steps to disapprove Customs' reading

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[10] As the courts below noted (Pet. App. 68a, 72a-75a, 148a-153a), Customs' enforcement practices were not always applied consistently. But this evidently followed not from any stated variation in Customs' policies, but rather from Customs' inability to determine the relationship between the domestic and foreign users of the trademark. See Pet. App. 152a-153a.

of Section 1526. See, *e.g.*, *United States* v. *Rutherford*, 442 U.S. 544, 554 n.10 (1979); *Lorillard* v. *Pons*, 434 U.S. 575, 580-581 (1978). The Court of International Trade found "substantial commercial reliance on Customs' interpretation" (Pet. App. 169a). Compare *Zenith Radio Corp.*, 437 U.S. at 457. And Customs' reading is the only one that does not "defeat the plain purpose of the statute." *Bob Jones University* v. *United States*, 461 U.S. 574, 586 (1983). Despite the breadth of Section 1526's language, then, 19 C.F.R. 133.21 is supportable as a reasonable interpretation of the statute. There accordingly is no reason to review the judgment below upholding the validity of that regulation (albeit upholding it on other grounds).

2. In any event, even if the Court were to conclude that Customs' interpretation of Section 1526 might warrant review, this case presents an unsuitable vehicle. As the court below emphasized, petitioner's suit is a facial challenge to the validity of 19 C.F.R. 133.21 (see Pet. App. 11a). As a result, no specific import transactions are at issue (*ibid.*). The nature of petitioner's distribution system (*id.* at 15a), the source of the grey market goods (*id.* at 14a), and even the character of the goods themselves (*id.* at 12a n.3) are unclear from the record.

The issue presented here, however, is one that can be resolved most effectively only on the basis of a clear record. As the court of appeals itself recognized (Pet. App. 85a), even if Customs' interpretation is rejected, the broad language of Section 1526 undoubtedly contains some implicit exceptions (Pet. App. 85a); because petitioner's challenge was not brought in the context of a particular factual setting, this

case provides no opportunity for the Court to identify those exceptions—or to determine whether petitioner falls within one. Similarly, while the court of appeals' reading of Section 1526 turns in large part on the asserted inconsistency of Customs' approach, the court acknowledged that Customs consistently has barred imports when the foreign and domestic trademark holders were parent and subsidiary corporations (Pet. App. 70a, 75a). Yet that appears to be the relationship between petitioner and the foreign holders of the VIVITAR trademark.

Finally, litigation concerning the validity of Customs' reading of Section 1526 currently is proceeding in other circuits. District courts in two circuits have upheld the validity of 19 C.F.R. 133.21, relying on Customs' interpretation of the statute. *Coalition to Preserve the Integrity of American Trademarks* v. *United States* (*COPIAT*), 598 F. Supp. 844 (D.D.C. 1984), appeal pending, No. 84-5895 (D.C. Cir.); *Olympus Corp.* v. *United States*, No. CV-84-0920 (E.D.N.Y. Aug. 22, 1985), appeal pending, No. 85-6282 (2d Cir.).[11] Appeals from those decisions (which were rendered pursuant to the district courts' authority to decide trademark issues (see 28 U.S.C. 1338)) will, as Judge Davis observed below, go to the regional courts of appeals. See 28 U.S.C. 1295(a)(1). Review by this Court of the issues presented here ac-

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[11] Two other district courts have held that private parties may challenge the importation of grey market goods, although they expressly did not reach the validity of 19 C.F.R. 133.21. *Bell & Howell: Mamiya Co.* v. *Masel Supply Co.*, 548 F. Supp. 1063 (E.D.N.Y. 1982), rev'd on other grounds, 719 F.2d 42 (2d Cir. 1983); *Osawa & Co.* v. *United States*, 589 F. Supp. 1163 (S.D.N.Y. 1984).

cordingly should await consideration by the circuits [12] of the validity of the Customs regulation.[13] See *E.I. du Pont de Nemours & Co.* v. *Train*, 430 U.S. 112, 135 n.26 (1977).

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[12] As Judge Davis noted below, the court of appeals' discussion of the availability of private suits against the importation of grey market goods is dictum that the court most likely will not have an opportunity to apply. Furthermore, in contrast to the decision below, the pending appeals in *COPIAT* and *Olympus* present challenges both to Customs' interpretation of Section 1526 and to its reading of Section 42 of the Lanham Act (15 U.S.C. 1124), a provision that 19 C.F.R. 133.21 also is intended to implement. Waiting for a case in which both statutory issues are presented would permit the Court to definitively resolve the validity of 19 C.F.R. 133.21.

[13] Petitioner contends (Pet. 23-26) that the court of appeals failed to apply the principles of *SEC* v. *Chenery Corp.*, 318 U.S. 80 (1943), when, after rejecting Customs' legal arguments, it declined to direct Customs to reconsider its promulgation of 19 C.F.R. 133.21. The contention does not warrant review. The court of appeals articulated no legal principle that conflicts with *Chenery*. And a remand would in any event be futile. Customs adheres to the legal position expressed before the court of appeals; as noted above, the agency has successfully asserted that position in litigation in several district courts. Pending the completion of that litigation, Customs will consider itself bound by its view of the congressional intent.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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DECEMBER 1985

☆ U. S. GOVERNMENT PRINTING OFFICE: 1985 491507 20083

Supreme Court, U.S.
FILED
DEC 9 1985
JOSEPH F. SPANIOL, JR.
CLERK

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IN THE

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OCTOBER TERM, 1985

VIVITAR CORPORATION,
Petitioner,

v.

UNITED STATES, *et al.*,
Respondents,

and

47th STREET PHOTO, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF FOR 47TH STREET PHOTO, INC., IN OPPOSITION

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December 9, 1985

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QUESTION PRESENTED

Whether Section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526, requires the Customs Service to exclude from the United States trademarked goods to which an authentic trademark has been affixed by the subsidiary or parent of the American trademark owner.

PARTIES TO THE PROCEEDING

The petitioner, Vivitar Corporation, is engaged in the foreign and domestic sale of photographic equipment manufactured principally in Japan. The federal respondents, identified in the Petition for a Writ of Certiorari (hereinafter "Pet."), p. ii, are responsible for the enforcement of the Customs Service regulations at issue in this case. Intervenor-Respondent 47th Street Photo, Inc., is a discount retailer of Vivitar products purchased in the United States and abroad. It has no parent companies or subsidiaries.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

No. 85-411

VIVITAR CORPORATION,
Petitioner,

v.

UNITED STATES, *et al.*,
Respondents,

and

47th STREET PHOTO, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF FOR 47TH STREET PHOTO, INC., IN OPPOSITION

OPINION BELOW

The opinion of the court of appeals (Pet. App. 1a-100a) [1] is reported at 761 F.2d 1552. The opinion of the Court of International Trade (Pet. App. 103a-172a) is reported at 593 F. Supp. 420. Its opinion on jurisdiction is reported at 585 F. Supp. 1419.

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[1] "Pet. App." refers to the Appendix to the Petition for a Writ of Certiorari.

JURISDICTION

The judgment of the court of appeals was entered on May 6, 1985. Vivitar's Petition for Rehearing and Clarification was denied on June 12, 1985 (Pet. App. 101a-102a). The Petition for a Writ of Certiorari was filed on September 10, 1985. The jurisdiction of this Court is invoked under 28 U.S.C. 1581.

STATUTE AND REGULATION INVOLVED

Petitioner has reprinted 19 U.S.C. § 1526 and 19 C.F.R. § 133.21 in the Appendix to its Petition (Pet. App. 173a-183a).

STATEMENT

I. The Facts: Vivitar Attempts to Use Customs Regulations to Enforce Its Marketing Strategy

This case concerns an attempt by a multinational corporation, Vivitar, to enlist the United States Customs Service in the enforcement of Vivitar's scheme of international dual-level pricing, whereby it sells its foreign-manufactured goods in the United States at a significantly higher price than it charges for the identical goods abroad. 47th Street Photo, Inc., is one of many discount retailers that obtain genuine Vivitar products that have been purchased in foreign markets and make them available to American consumers at significant savings.[2] 761 F.2d at 1556 (Pet. App. 14a-15a); 593 F. Supp. at 422-23 (Pet. App. 109a).

[2] In 1984, for example, Vivitar charged $80 wholesale, in the United States, for a slide printer which could be purchased from a Vivitar distributor abroad for $60. As a consequence, this slide printer could be purchased at 47th Street Photo for $79 while retailers who purchased from Vivitar in the U.S. charged between $120 and $195, the list price. Second Affidavit of Irving Goldstein, ¶ 8, Appended to 47th Street Photo's Memorandum in Opposition to Motion for Mandatory Order and in Support of Motion to Dismiss.

Parallel imports are, by definition, genuine goods initially introduced into commerce by or with the consent of the trademark owner, here Vivitar. 761 F.2d at 1556 (Pet. App. 14a); 593 F. Supp. at 422-23 (Pet. App. 108a-109a).[3] Multinational trademark owners attempt to structure their international marketing so as to maximize U.S. sales at high prices while selling abroad at the lower prices demanded by foreign markets. 593 F. Supp. at 423 (Pet. App. 109a).[4] It has been the uniform policy of the government for at least a half a century, however, not to assist multinational corporations in their efforts to maintain dual-pricing systems.

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[3] The record in this case—specifically the letters stating the basis for the Customs Service denial of Vivitar's demand for exclusion—clearly reflects that Vivitar manufactures goods abroad and authorizes the application of its trademark and the sale of its trademarked goods in foreign markets. Defendants' Collective Exhibit 2 in Support of Motion for Summary Judgment. *See also* 47th Street Photo's Statement of Material Facts that Are in Dispute (hereinafter, "Statement of Material Facts"), pp. 1-7. Contrary to Vivitar's assertion (Pet. 6-7), parallel imports are frequently purchased directly from the subsidiary or licensee of the trademark owner. 593 F. Supp. at 424-25 (Pet. App. 117a-118a); Statement of Material Facts, p. 6.

[4] As the Court of International Trade observed (593 F. Supp. at 423, Pet. App. 109a):

> When the United States price is substantially higher than the foreign price, importers can profitably buy large quantities of the trademarked goods overseas, import them to the United States, and sell them to distributors and retailers at a discount. American companies such as intervenor 47th Street Photo, Inc. and *amicus curiae* K mart Corporation . . . purchase large quantities of these imports and offer them for sale at prices often far below those of retailers selling goods the American trademark owner has authorized for importation.

Contrary to Vivitar's assertion (Pet. 7, n1), the enormous price differential is not attributable to its service, warranty or other efforts in the U.S.. Rather, such costs comprise a miniscule portion of the differential. Statement of Material Facts, pp. 16-18. Moreover, American retailers, like 47th Street Photo, Inc. and K mart, as well as many parallel importers, expend considerable sums on warranty, service and advertising. *Id.* Vivitar's unsupported allegations that parallel importers "free ride" on Vivitar's expenditures are an attempt to mask its real complaint, that its "carefully planned marketing strategy"—designed to exact the highest possible price in the domestic market—has been disrupted. Pet. 7, n.1. As the Court of International Trade noted, 47th Street Photo's evidence contradicted Vivitar's "free ride" allegations. 593 F. Supp. at 435 (Pet. App. 166a-169a); Statement of Material Facts, pp. 19-21.

II. The Proceedings Below: Vivitar Seeks to Alter Decades of Administrative Practice

Vivitar filed a complaint seeking mandamus on January 19, 1984. The requested relief was that the Customs Service be required to prohibit the entry into the United States of goods bearing the Vivitar trademark, unless Vivitar consented to the importation. Complaint, p. 6.[5]

On cross-motions for summary judgment, the Court of International Trade held that Vivitar's argument that parallel imports obtain a "free ride" on Vivitar's goodwill, if relevant at all, could be raised only in a Lanham Act or other non-statutory unfair competition action, not in the action before the court. 593 F. Supp. at 435-36 (Pet. App. 168a-169a).[6]

On the question whether the Customs Service could deny an entity that controlled both foreign and domestic trademarks automatic exclusion of its foreign-manufactured goods, the court concluded that the Customs Service's existing regulation was a valid implementation of congressional intent "to protect [only] an American trademark owner . . . who had purchased from an independent foreign company," not an integrated multinational corporation. 593 F. Supp. at 434 (Pet. App. 160a).

The Court of Appeals for the Federal Circuit found the congressional debate over Section 526 "unfocused and misinformed." 761 F.2d at 1563 (Pet. App. 50a). But it held that

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[5] Vivitar initially sought this relief under both Section 526 of the Tariff Act and Section 42 of the Lanham Act. Vivitar made no attempt, however, to prove a Lanham Act violation. It conceded that the goods it was seeking to exclude were genuine trademarked goods, and it did not try to establish consumer confusion as to the source of the goods or a separate national territorial identity for the products it sells in the U.S. When faced with the prospect of losing jurisdiction in the Court of International Trade, Vivitar readily agreed to drop its Lanham Act allegations. 585 F. Supp. at 1423. Subsequently, Vivitar also abandoned its demand for mandamus in favor of declaratory relief. 593 F. Supp. at 422 n.1 (Pet. App. 106a, n.1).

[6] The Court of Appeals for the Federal Circuit likewise noted that Vivitar had not raised any substantive trademark or unfair competition claim as to any private party. Had it done so, the case would have been beyond the jurisdiction of the Court of International Trade. 761 F.2d at 1560 (Pet. App. 31a-37a).

the Customs Service regulations were a reasonable means of effectuating the statute, noting (761 F.2d at 1570, Pet. App. 83a-84a):

> Congress could not have foreseen all possibilities in international trade relationships at the time of enacting the statute.

While the court rejected the argument that the Customs Service regulations are *mandated* by Section 526, it also rejected the argument that the statute grants a right of exclusion to *all* trademark owners without regard to agency principles, estoppel, piercing the corporate veil, etc. *Id.* The Court concluded (*id*):

> Where protection under the statute is unclear or depends upon resolution of complex factual situations, Customs may decline to impose *sua sponte* the extreme sanction of exclusion and leave such cases for initial determination by the district courts under the private remedies provided to the trademark owner in § 1526.

ARGUMENT

While we disagree with the court of appeals that the Customs Service regulations are not mandated by the statute, the court's conclusion that the regulations are valid is correct. Petitioner contends that this Court should reverse because this position was not advocated below by the Customs Service.[7] Pet. 20-21. The Customs Service has consistently asserted that its regulations are required by the statute. Irrespective of the rationale, however, the result that the regulations are sustained—even if only as a legitimate exercise of agency dis-

[7] The question decided by the court below—whether the regulation comports with the statute—is strictly one of law, traditionally committed to the courts. For this reason, the rule of *Securities and Exchange Comm. v. Chenery Corp.* [*Chenery I*], 318 U.S. 90 (1943), relied upon by the petitioner, is inapplicable, as it is limited to determinations "which an administrative agency alone is authorized to make . . . ." *Securities and Exchange Comm. v. Chenery Corp.* [*Chenery II*], 332 U.S. 194, 196-97 (1947). *Federal Power Commission v. Idaho Power Co.*, 344 U.S. 17, 20 (1952), also relied upon by the petitioner, is similarly inapposite. There, the court rewrote a regulation for an agency. Here, the court upheld a regulation as drafted by the agency, an action well within the court's authority.

cretion—is the same. Consequently, the petition fails to present any "special and important" reasons for granting the writ. *See* Sup. Ct. R. 17.1.

1. The petitioner's argument for reversal rests on the false premise that the court of appeals found the statutory language to be "clear and unambiguous." Pet. 21. To the contrary, the court of appeals specifically found that "protection under the statute is unclear" and "rejected the view that the statute may not have *any* implied limitations . . . ." 761 F.2d at 1570 (Pet. App. 85a-86a) (emphasis in original).

This conclusion is consistent with that of all three of the other courts asked to assess whether the Customs Service regulations comport with the statute. They have found that the regulations effectuate the limited scope of Section 526, which was not to grant a trademark monopoly in the United States but to protect arms-length purchasers of foreign trademarks. In *Coalition to Preserve the Integrity of American Trademarks ("COPIAT") v. United States,* 598 F. Supp. 844 (D.D.C. 1984), *appeal pending,* United States Court of Appeals for the District of Columbia Circuit, No. 84-5890, the court held the regulations to be "sufficiently reasonable" in that they "reflect the Customs Service's long-standing and consistent interpretation of section 526; which interpretation is fully consistent with the intent of Congress in enacting the legislation." 598 F. Supp. at 851. In *Olympus Corp. v. United States,* CV-84-0920 (E.D.N.Y. Aug. 22, 1985), *appeal pending,* United States Court of Appeals for the Second Circuit, No. 85-6282, the court adopted the legislative and regulatory history set forth by the district court in *COPIAT* and by the Court of International Trade [8] in the instant case (*id.* at 30):

> The broad interpretation that plaintiff urges upon the court is contrary to the reading that is supported by the legislative history, long-standing administrative practice by the Customs Service, relevant judicial decisions, and legislative inaction and acquiescence of all of the above during the decades following enactment of § 526.

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[8] The court in *Olympus* (at p. 31) rejected as *dicta* the view of the legislative and regulatory history expressed by the Court of Appeals for the Federal Circuit, noting Judge Davis' concurrence which criticized the majority's "wholly inappropriate . . . *dicta.*" 761 F.2d at 1572 (Pet. App. 99a).

Accord, Parfums Stern, Inc. v. United States Customs Service, 575 F. Supp. 416 (S.D. Fla. 1983). *See also El Greco Leather Products Co. v. Shoe World, Inc.,* 599 F. Supp. 1380 (E.D.N.Y. 1984); *Bell & Howell: Mamiya Co. v. Masel Supply Co.,* 548 F. Supp. 1063 (E.D.N.Y. 1982), *vacated and remanded,* 719 F.2d 42 (2d Cir. 1983) (injunction inappropriate where parallel imports are genuine). *Cf., Osawa & Co. v. B&H Photo,* 589 F. Supp. 1163 (S.D.N.Y. 1984) (*dicta*).

2. The legislative history of Section 526 clearly supports the conclusion that its scope is limited. It is undisputed that Section 526 was a response to the decision of the Court of Appeals for the Second Circuit in *A. Bourjois & Co. v. Katzel,* 275 F. 539 (2d Cir. 1921), which was subsequently overruled by this Court (after Section 526 was enacted), *Bourjois & Co. v. Katzel,* 260 U.S. 689 (1923). Emphasizing the equities, this Court held in *Bourjois* that an *independent* American owner of a registered trademark could enjoin others from selling under that mark in the United States. 260 U.S. at 691. In *Bourjois v. Katzel,* however, the U.S. trademark owner, unlike Vivitar, had invested substantial amounts in purchasing a foreign trademark and in developing a separate American identity for the product distinct from that of the foreign owner. This Court protected that investment against a "contrivance" to "evad[e] the effect of the transfer." *Id.*

Section 526—enacted during the pendency of the *Bourjois* appeal to this Court—addressed precisely the same inequity. The brief Congressional debate emphasized the rights of independent American purchasers of trademark rights. 62 *Cong. Rec.* 11603-04. Upon enactment of the statute, the Customs Service immediately recognized its intended scope and for decades has denied the right automatically to exclude trademarked goods if the U.S. trademark and foreign trademark are owned or controlled by the same entity. *See, e.g.,* Article 518(b), *Treasury Dec.* 48537 (Sept. 22, 1936).

3. As is apparent from even this brief discussion of the merits, and as the court below recognized, Section 526 does not have a "plain meaning" such as petitioner asserts. The statute's legislative and regulatory history, considered in light of "the evil which [the statute] is designed to remedy, . . . contemporaneous events, [and] the situation . . . as it was pressed upon the attention of the legislative body" (*Church of the Holy Trinity v. United States,* 143 U.S. 457, 459, 463 (1892)) supports the Customs Service policy. *Accord, Washington Metropolitan Area Transit Authority v. Johnson,* 104 S.Ct. 2827 (1984); *Secretary of the Interior v. California,* 104 S.Ct. 656 (1984).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE K MART CORPORATION IN OPPOSITION

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18 p

QUESTION PRESENTED FOR REVIEW

Whether the United States Customs Service regulations relating to the importation of genuine trademarked goods manufactured overseas by or with the authority of a United States trademark owner are reasonably related to Section 526 of the Tariff Act of 1930.

PARTIES TO THE PROCEEDING BELOW

In addition to the parties listed in the Petition for a Writ of Certiorari, K mart Corporation participated as an amicus curiae.

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BRIEF OF AMICUS CURIAE K MART CORPORATION IN OPPOSITION

To the extent required, amicus curiae K mart Corporation ("K mart") incorporates by reference the "Opinions Below," "Jurisdiction," and "Statutory and Regulatory Provisions at Issue" sections of the Petition for a Writ of Certiorari filed by Vivitar Corporation ("Vivitar").

STATEMENT

K mart submits this brief [1] in opposition to the Vivitar Petition for a Writ of Certiorari and urges that this

[1] This brief *amicus curiae* is filed with the written consent of the parties pursuant to Supreme Court Rule 36.2.

Court not reexamine or modify the long-standing Federal policy embodied in Customs Service Regulation 19 C.F.R. § 133.21. That regulation permits the importation of trademarked goods manufactured abroad by or under the authority of United States trademark owners such as Vivitar. Such goods are frequently called "parallel imports" or "gray market" goods.

INTEREST OF K MART

K mart is a Michigan corporation with its principal place of business in Troy, Michigan. It is a mass merchandiser which operates more than 2,000 discount department stores throughout the United States. K mart offers consumers brand-name and private label merchandise at substantial savings over the retail price suggested by trademark owners and manufacturers such as Vivitar.

In the regular course of its business, K mart purchases substantial quantities of parallel imports. Since the trademark owner generally sells or authorizes the sale of such goods abroad at a much lower price than it sells identical goods in the United States, such parallel imports represent an important source of supply to discounters such as K mart. K mart has a vital economic interest in the continued viability of 19 C.F.R. § 133.21, inasmuch as its important sources of supply will be threatened with extinction if Vivitar's position prevails.[2] Multinational trademark owners such as Vivitar generally refuse to sell their trademarked goods to discounters such as K mart and also purport to forbid their licensees and

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[2] K mart's interest in preserving these sources has been recognized in other major proceedings involving parallel imports where K mart has intervened or participated as an amicus. *See Coalition To Preserve The Integrity of American Trademarks v. United States*, 598 F. Supp. 844 (D.D.C. 1984), *appeal pending*, No. 84-5890 (D.C. Cir.); and *Olympus Corp. v. United States*, CV-84-0920 (E.D.N.Y. Aug. 22, 1985), *appeal pending*, No. 85-6282 (2d Cir.).

distributors from selling to discounters such as K mart—all as a part of an effort to maintain artificially high resale prices in the United States. Indeed, the change in treatment of parallel imports sought by Vivitar threatens the viability not only of K mart, but of thousands of other retailers that depend upon the continued availability of brand-name products at competitive prices. A decision voiding the Customs Service Regulation at issue would deprive such retailers of an important source of supply which allows them to pursue their fundamental business strategy of meeting consumer needs through competitive pricing. If the regulation is declared void, American consumers will pay higher prices, and the innovative discount segment of the retail market place will be severely injured.

ARGUMENT

This Court should not grant the petition for a writ of certiorari. The decision of the Court of Appeals for the Federal Circuit presents no "important question of federal law which has not been, but should be settled by this Court." Supreme Court Rule 17.1(c). The Court of Appeals approved the Customs Service interpretation of Section 526(a) of the Tariff Act of 1930, 19 U.S.C. § 1526. Under both the Customs Service interpretation and the Court of Appeals interpretation of Section 526(a), there is no ban on parallel imports of genuine trademarked goods which United States trademark owners have permitted to be manufactured overseas.

In the past two years, a number of courts have sustained the Customs Service interpretation of Section 526. *See Coalition To Preserve The Integrity Of American Trademarks v. United States*, 598 F. Supp. 844 (D.D.C. 1984), *appeal pending*, No. 85-5890 (D.C. Cir.); *Olympus Corp. v. United States*, CV-84-0920 (E.D.N.Y. Aug. 22, 1985), *appeal pending*, No. 85-6282 (2d Cir.); *United States v. 89 Bottles of "Eau De Joy"*, C-82-6541 SC (N.D. Cal. Mar. 8, 1985); and *El Greco Leather Products Co.*

v. Shoe World, Inc., 599 F. Supp. 1380 (E.D.N.Y. 1984). While the rationale of these district courts differs semantically from that of the United States Court of Appeals for the Federal Circuit, the net result is the same: All of the courts have sustained the Customs Service interpretation of Section 526.

A grant of certiorari to review a semantic difference between the Customs Service and the Court of Appeals interpretation of Section 526 would serve no useful purpose. The question of whether a court of appeals has authority to affirm a regulation on a different ground than that advanced by the agency is peripheral to the question of the permissibility of parallel imports under Section 526. This Court's consideration of the issue of whether parallel imports are permissible under Section 526 is premature before the Courts of Appeals for the District of Columbia and Second Circuits have completed their consideration of pending appeals which raise the same issue.

The Tariff Act of 1930, as illuminated by its legislative history and five decades of consistent agency interpretation, does not require the Customs Service to enforce an arrangement wherein Vivitar and its foreign affiliates and licensees divide up international markets to prevent and impair price competition within the United States. A reversal of the Court of Appeals holding would close the American market to price competition and would result in the transfer of millions of dollars from American consumers to foreign multinational enterprises, a result antithetical to public policy.

REASONS FOR DENYING THE WRIT

1. Whether the Court of Appeals has properly affirmed the Customs Service regulation on "a basis different than that offered by the agency" is hardly a worthy issue for consideration on certiorari. Pet. at 21.

The claimed disparity between the agency grounds for allowing genuine trademarked goods to enter the United

States and those espoused by the Court of Appeals for the Federal Circuit appears to be semantic rather than substantive. While the Court of Appeals majority opinion may well be criticized for its broad dicta,[3] the pivotal point is that both the agency and the Court of Appeals are in agreement that Section 526 of the Tariff Act of 1930 does not provide a basis for banning the importation of genuine trademarked merchandise. As Judge Davis said in his concurring opinion below:

> All that we *hold* in this case is that the Customs regulation is now valid as a Customs enforcement regulation.

761 F.2d at 1572; Pet. App. A, p. 100a.

2. Contrary to Vivitar's contention, the holding of the Court of Appeals is hardly "an invitation to administrative lawlessness which should not be permitted by this Court". Pet. at 21.

The effect of the ruling is merely to approve a regulation which has existed in one form or another for nearly fifty years.[4] While the regulatory language has changed

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[3] Judge Davis concurred in the result, but criticized the majority opinion for its broad dicta concerning the effect of the Customs Service regulation in litigation between private parties. According to Judge Davis, "it is needless and gratuitous for this court, in this international trade case coming from the CIT, to indulge in lengthy dicta bearing on the full scope of § 1526(a), *obiter dicta* which will not bind any court in a private suit but which simply tends to confuse the trademark bar." 761 F.2d at 1572; Pet. App. A, p. 99a.

[4] In 1936, the following provision was added to the Customs Service regulations:

> However, merchandise manufactured or sold in a foreign country under a trade-mark or trade name, which trade-mark is registered and recorded, or which trade name is recorded under the trade-mark laws of the United States, shall not be deemed for the purpose of these regulations to copy or simulate such United States trade-mark or trade name if such foreign trade-

from time to time, "the policy of the Customs Service of excluding from protection foreign-produced merchandise bearing a genuine trademark has been long-standing and consistent." *Coalition To Preserve The Integrity of American Trademarks v. United States*, 598 F. Supp. at 852.[5]

The preservation of the status quo hardly entails a threat of "lawlessness" which warrants the grant of a writ of certiorari. Moreover, Vivitar can hardly claim to have been injured by the Court of Appeals decision, since the court merely affirmed regulations which were in effect at the time Vivitar chose to commit its manufacturing efforts to foreign subsidiaries and licensees.

3. Vivitar's argument that the Customs Service has never "claimed that it had the discretion to allow the entry into the United States of imported merchandise prohibited by the plain language of Section 526" appears to be inaccurate. Pet. at 19.

While the language of the regulations adopted by the Customs Service has differed slightly from time to time during the past fifty years, the regulations have always been to the effect that goods manufactured abroad under the authority of the United States trademark owner should not be barred from importation. There is nothing

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mark or trade name are owned by the same person, partnership, association, or corporation.

1 Fed. Reg. 1,725 (1936) (T.D. 48,537). Although the 1936 regulation is the first to mention an exception from Section 526 protection where the United States and foreign trademark holders were commonly owned, there is no evidence of a contrary Customs Service practice prior to that date.

[5] According to John F. Atwood, a Customs law specialist employed by the Customs Service during the late 1960s, the Customs Service has "always denied complete exclusionary protection to an American trademark registrant when it knew the importer to be a subsidiary or parent of the foreign user of the trademark." *See* J. Atwood, *Import Restrictions on Trademarked Merchandise—The Role of the United States Bureau of Customs*, 59 Trade-Mark Rep. 301, 307 (1969).

in any of the regulatory language which would exclude agency "discretion" as a basis for the current regulation.

4. The statutory grant of authority to the Customs Service provides the agency with broad discretion in adopting regulations.

The agency's discretionary authority derives from the general mandate to the Secretary of the Treasury in 19 U.S.C. § 66, which appears to date back to 1820 in substantially the same form, delegating to the Secretary of the Treasury the power to prescribe the "rules and regulations . . . as may be necessary for the proper execution of the [Customs] law." 19 U.S.C. § 66. With specific regard to Chapter 4 of Title 19, *i.e.*, the Tariff Act of 1930, "the Secretary of the Treasury is authorized to make such rules and regulations as may be necessary to carry out the provisions of this chapter." 19 U.S.C. § 1624.[6] Such Treasury Department rules have been held to have the force and effect of substantive law. *Tex Mex Brick & Import Co. v. United States*, 305 F. Supp. 927 (Cust. Ct. 1969), *aff'd*, 449 F.2d 1398 (C.C.P.A. 1971).[7]

This Court has routinely upheld regulations promulgated pursuant to such general delegations of authority. In *Mourning v. Family Publications Service, Inc.*, 411 U.S. 356 (1973), the Supreme Court sustained the authority of the Federal Reserve Board to promulgate rules under the Truth-in-Lending Act. The Court emphasized:

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[6] In promulgating 19 C.F.R. § 133.21, the Customs Service properly followed the rulemaking procedures required by the Administrative Procedure Act. 5 U.S.C. § 701 *et seq.* On December 19, 1970, the Customs Service issued a Notice of Proposed Rulemaking (35 Fed. Reg. 19,269) and on October 3, 1972, it published a Final Notice (37 Fed. Reg. 20,677) adopting what is now 19 C.F.R. § 133.21.

[7] It is this discretion which distinguishes the delegation of regulatory authority from the impoundment cases on which Vivitar relies, where the legislature had appropriated precise funds for a specific purpose.

> Where the empowering provision of a statute states simply that the agency may "*make . . . such rules and regulations as may be necessary to carry out the provisions of this Act,*" we have held that the validity of a regulation promulgated thereunder will be sustained so long as it is "reasonably related to the purposes of the enabling legislation."

411 U.S. at 369 (citations omitted) (emphasis added).[8]

The day to day operations of agencies, pursuant to such broad rule-making authority, do not pose such novel issues as to warrant the grant of certiorari. Even when agencies have made unusual use of such rulemaking power, certiorari has been denied. For example, in *National Petroleum Refiners Association v. FTC*, 482 F.2d 672 (D.C. Cir. 1973), *cert. denied*, 415 U.S. 951 (1974), the United States Court of Appeals for the District of Columbia Circuit affirmed the novel use of the Federal Trade Commission rulemaking authority for promulgating rules with the effect of substantive law. Although the FTC had never before claimed or exercised such power, and although no court had ever before approved the FTC claim of such power, this Court denied certiorari.

5. There can be no question that 19 C.F.R. § 133.21 is reasonably related to the purpose of the enabling legislation.

As conceded by Vivitar:

> The decision by the Court of Appeals in *A. Bourjois & Co., Inc. v. Katzel*, 275 F. 539 (2d Cir. 1921), *rev'd*, 260 U.S. 689 (1923), was the catalyst prompting the enactment of Section 526.

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[8] The Court has similarly upheld substantive regulations adopted by other agencies in the exercise of their discretion pursuant to delegations of authority of varying degrees of specificity. *American Trucking Ass'n v. United States*, 344 U.S. 298, 312 (1953); *FPC v. Texaco, Inc.*, 377 U.S. 33 (1964); *United States v. Storer Broadcasting Co.*, 351 U.S. 192 (1956); *National Broadcasting Co. v. United States*, 319 U.S. 190 (1943).

Pet. at 14 n. 4. In *Katzel*, the Second Circuit held that a third-party purchaser from a European company which had conveyed the entirety of its trademark rights to an independent American company could nonetheless continue to import trademarked goods into the United States. The legislative history of Section 526 demonstrates that in 1922 Congress wanted specifically to protect the contractual property rights of American citizens who, as in *Katzel*, had purchased United States trademark rights from independent foreign companies in arm's length transactions. Thus, the floor debate in the Senate shows strong emphasis on "protecting the property rights of American citizens who have purchased foreign trademarks from foreigners". *See* remarks of Senator Sutherland, one of the sponsors of the bill, 62 Cong. Rec. S. 11,603 (daily ed. Aug. 19, 1922). And, as another sponsor, Senator McCumber, stated, "if there has been no transfer of trademark, that presents an entirely different question." 62 Cong. Rec. S. 11,605 (daily ed. Aug. 19, 1922). Obviously, Congress intended to confine the exclusion of foreign goods to those cases where a foreign manufacturer had sold its trademark rights to an independent American corporation. The regulation at issue clearly carries out this Congressional intent.[9]

6. If certiorari is granted, a principal question on review will be whether the regulation at issue is reasonably related to Section 526.

In determining such an issue the Court will normally review the legislative history, as well as the language of

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[9] While the majority opinion in the Federal Circuit found that there were other purposes for the enactment of Section 526, the court failed to cite any substantial purpose other than that enunciated by the sponsors. Nevertheless, the Court of Appeals obviously held that the regulation at issue was "a reasonable exercise of administratively initiated enforcement" of Section 526. 761 F.2d at 1571. Pet. App. A, p. 90a.

the statute.[10] There is nothing new or novel about the review process which this Court follows in determining whether a paritcular regulation has such a reasonable relation to enabling legislation. The Court of Appeals gave extensive consideration to the language and history of the Act in reaching its conclusion. Under such circumstances, it appears unlikely that any major public policy would be served by reviewing the completeness of its evaluation process.

7. There is no conflict among the circuits as to the validity of 19 C.F.R. § 133.21.

No court of appeals has held that Section 526 bars the importation of genuine trademarked goods. The district courts considering the subject have upheld the validity of 19 C.F.R. § 133.21. *Coalition to Preserve the Integrity of American Trademarke v. United States*, 598 F. Supp. 844 (D.D.C. 1984); *Olympus Corp. v. United States*, CV-84-0920 (Aug. 22, 1985 E.D.N.Y.).[11] The only disparity between these decisions and the ruling of the Federal Circuit below lies in the fact that the Federal Circuit was a good deal more charitable to some of the subsidiary arguments advanced by Vivitar than were the district courts in other circuits. These district courts held that the regulation in question was supported by

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[10] *Bob Jones University v. United States*, 461 U.S. 574 (1983); *Church of the Holy Trinity v. United States*, 143 U.S. 457, 459 (1892); *Chevron, U.S.A., Inc. v. National Resources Defense Council, Inc.*, 104 S. Ct. 1778 (1984). *See also Sedima, S.P.R.L. v. Imrex Co.*, 105 S. Ct. 3275 (1985), where this Court gave heavy weight to legislative history.

[11] The decision in *Osawa & Co. v. B&H Photo*, 589 F. Supp. 1163 (S.D.N.Y. 1984), heavily relied upon by Vivitar, loses credibility by virtue of the fact that the court did not attempt to address the reasonableness of the Customs Service Regulation in light of the legislative history of Section 526. The question of whether "Customs exceeded its authority" was one which the court felt "need not be decided here." 589 F. Supp. at 1177. Accordingly, the decision lacks persuasiveness.

the legislative history of the Act, by a consistent and long standing administrative interpretation of the Act, and by Congressional ratification. In short, these opinions are even more adverse to Vivitar than the opinion of the Court of Appeals of the Federal Circuit in this case. *A fortiori*, there is no conflict in these opinions which would warrant the grant of certiorari in the instant case. Indeed, a grant of certiorari in the instant case would appear to be premature, since no other court of appeals has yet ruled on these issues.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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December 9, 1985